2002-2003
BUDGET

Supplement to the Government's Budgetary Policy

Budget Plan

March 19, 2002

Finances Québec

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Budget Plan
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The Budget Plan

Section 1
Québec's Economy: Recent Developments and Revised Outlook for 2002 and 2003

Section 2
The Government's Financial Position in 2001-2002 and Public Sector Borrowings

Section 3
The Government's Budgetary and Financial Stance

Section 1

Québec's Economy: Recent Developments and Revised Outlook for 2002 and 2003

Economic situation since the tabling of the 2002-2003 Budget

- Economic situation in the major industrialized nations 3
  - — Weak economic growth in Europe 4
  - — Recession in Japan 5
  - — Economic pickup in the United States and Canada 7
- Monetary conditions highly favourable to a recovery 9
  - — Lowest short-term interest rates in 40 years 9
  - — Canadian dollar falls to historic low 10
- Sharp drop in oil prices 11
- Slowdown in Québec less pronounced in the second half of the year 13
  - — Real GDP and job creation: Québec stands out 13
  - — Households support growth 15
    - – Vigorous rebound in household confidence 15
    - – Sharp increase in retail sales 16
    - – Increased residential construction spending 17
  - — Exports start to recover 19
  - — Government spending bolsters the economy 20
  - — Businesses continue to adjust 21

Revised outlook for 2002 and 2003

- Economic outlook in Europe and Japan 23
- Economic outlook in North America 24
- Economic outlook in Québec 24
  - — Outlook presented in the 2002-2003 Budget 24
  - — Revised outlook for 2002 and 2003 25
    - – Exports 26
    - – Household demand 26
    - – Investments 26
- Comparison with private-sector forecasts 29

Québec's Economy: Recent Developments and Revised Outlook for 2002 and 2003

This section reviews the economic situation since the tabling of the 2002-2003 Budget and presents the economic forecasts used to update the financial projections for 2001-2002 and the years thereafter.

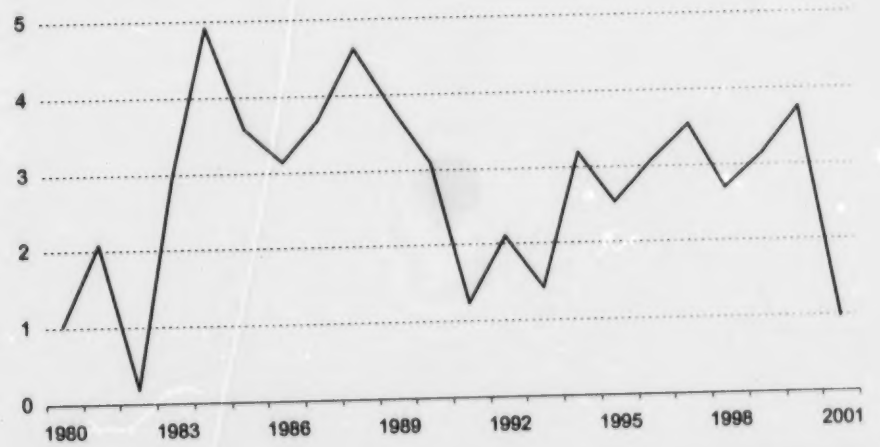
Economic situation since the tabling of the 2002-2003 Budget

Economic situation in the major industrialized nations

The major industrialized nations experienced a severe slowdown in economic growth in 2001. The slowdown, which began in the United States in the second half of 2000 and then spread to most of the other countries, was attributable to several factors, in particular, the downturn in stock markets, especially high-technology stocks, the decline in computer and telecommunications equipment spending by businesses, and the delayed impacts of the hike in oil prices and the monetary tightening in North America and Europe during 2000.

GRAPH 1.1

ECONOMIC GROWTH IN THE OECD ZONE AT ITS LOWEST LEVEL SINCE THE EARLY 1980s
(percentage change)



Source: OECD Economic Outlook, December 2001.

Just as we were seeing signs that the slowdown in the U.S. economy was nearing its end, the September 11 terrorist attacks on New York and Washington rocked the global economy once more. The attacks shook the confidence of economic agents and made the short-term growth outlook in the United States and the other major industrialized nations even more uncertain.

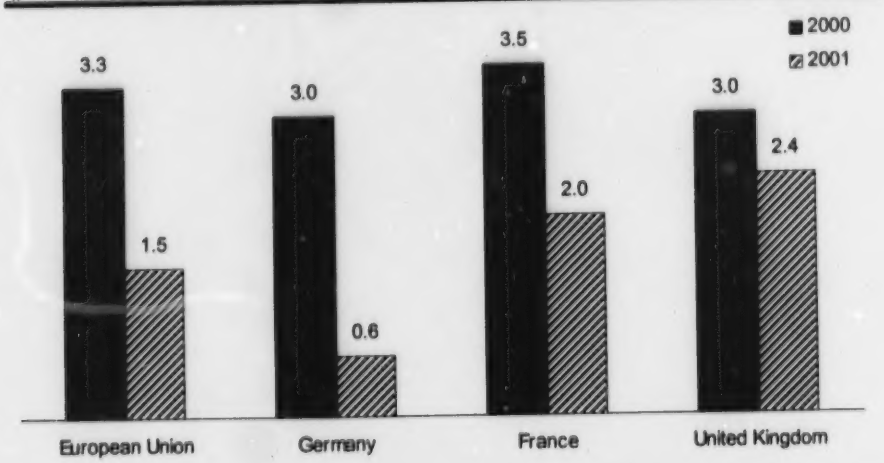
In the wake of these events, forecasters for the Organisation for Economic Co-operation and Development (OECD) lowered the projected economic growth in the zone formed by the 30 OECD member nations by around one percentage point in 2001 and two percentage points in 2002. In December 2001, they estimated that the economic growth of all OECD nations would drop from 3.7% in 2000 to just 1.0% in 2001, the lowest annual growth rate since 1982.

Weak economic growth in Europe

The European Union[1] was hit hard by the economic slump in the United States and the backlash from the September 11 attacks. Economic growth fell by nearly two percentage points from 3.3% in 2000 to 1.5% in 2001.

GRAPH 1.2

ECONOMIC GROWTH – EUROPEAN UNION
(percentage change)



Source: Consensus Economics.

1 The European Union is formed by 15 Western European countries: Germany, Austria, Belgium, Denmark, Spain, Finland, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, the United Kingdom and Sweden.

Exports plunged and business investment levelled off due to the downturn in international demand for capital goods. By eroding both consumer and business confidence, the events of September 11, 2001 also contributed to lower domestic demand in most countries.

After Finland, Germany, whose GDP equals 23.1% of the European Union's GDP, is the country that has been most affected: its economy slowed 2.4 percentage points from 3.0% in 2000 to 0.6% in 2001.

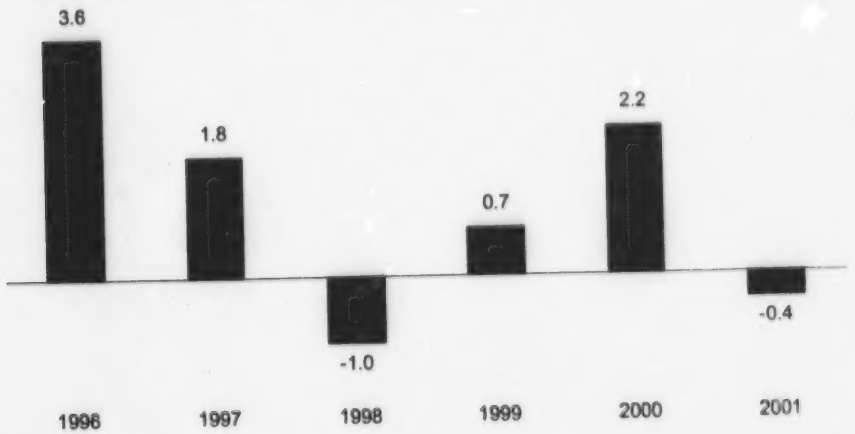
In the United Kingdom, on the other hand, economic growth slowed only moderately. Although the British economy was affected by the same factors as the rest of Europe, household consumption remained strong throughout the year, thanks to an increase in the number of jobs and household income. At 2.4%, the United Kingdom posted the fourth largest economic growth rate of all EU states in 2001, after Ireland, Luxembourg and Greece. France was just behind the United Kingdom, at a growth rate of 2.0%.

Recession in Japan

The Japanese economy fell back into recession in 2001, its third contraction in 10 years.

GRAPH 1.3

JAPANESE ECONOMY FALLS BACK INTO RECESSION IN 2001
(percentage change)



Source: Datastream.

Despite short-term interest rates near zero and massive injections of liquidity by the Bank of Japan, the Japanese economy was severely affected by the decline in demand for high-technology products in 2001.

The contraction in the high-technology sector gradually spread to other sectors of the economy, reducing employment, wage incomes and consumer spending. In December 2001, the unemployment rate stood at 5.5%, compared with an average rate of 4.7% in 2000.

Japan is also still grappling with major structural problems, notably in the banking sector, where financial institutions are stuck with a large volume of nonperforming loans.

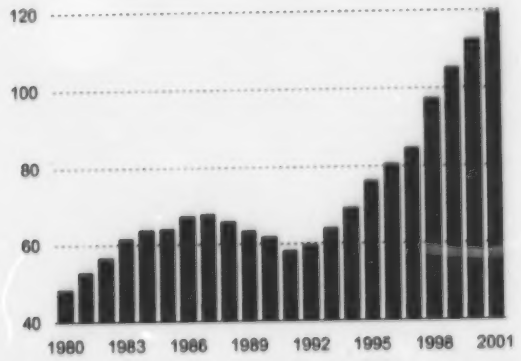
Furthermore, due to the very high level of public debt, the Japanese authorities do not have as much leeway as the other major industrialized nations to stimulate its economy.

The various recovery programs implemented since 1993 do not seem to have produced the anticipated results, at least not in a manner that is sustainable. In fact, the deficit and public debt levels respectively rose to 6% and 119% of the GDP in 2001.

Another obstacle has been the looming deflationary trend. By lowering income and consumer spending, the deflation could delay Japan's economic recovery.

GRAPH 1.4

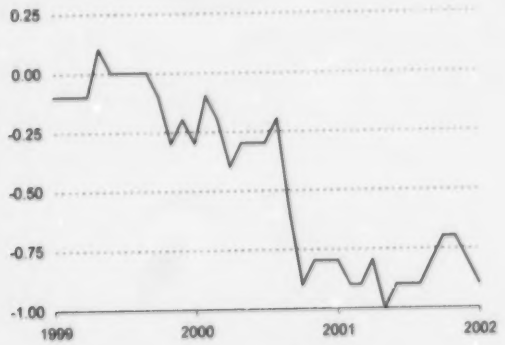
PUBLIC DEBT RATIO – JAPAN
(as a percentage of GDP)



Source: Organisation for Economic Co-operation and Development.

GRAPH 1.5

CORE INFLATION RATE – JAPAN
(annual percentage change)



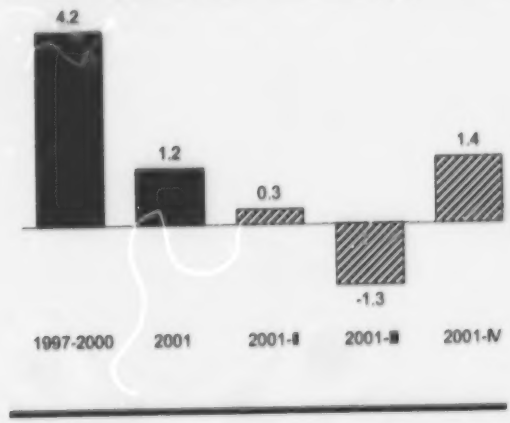
Source: Datastream.

Economic pickup in the United States and Canada

The U.S. and Canadian economies reached a turning point in the fourth quarter of 2001. After slowing down considerably in the first two quarters and then contracting in the third quarter, they quickly began gaining ground, despite the backlashes of the September 11 attacks. The recovery occurred a quarter earlier than projected by most analysts in October 2001, when Québec was preparing its 2002-2003 Budget.

GRAPH 1.6

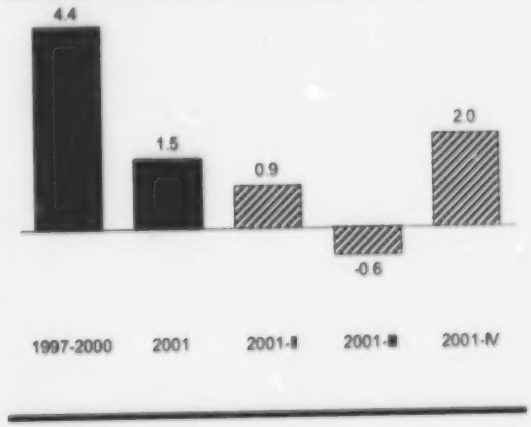
ECONOMIC GROWTH – UNITED STATES
(percentage change at annual rate)



Source: DRI-WEFA.

GRAPH 1.7

ECONOMIC GROWTH – CANADA
(percentage change at annual rate)



Source: Statistics Canada.

Both Canadian and American households provided surprising economic support last year. In the last quarter of 2001 especially, consumer spending jumped significantly, growing at a 6.0% annual rate in the United States and a 4.2% annual rate in Canada.

Despite the sluggish economy, job losses – worse in the United States than in Canada – and the uncertainty following the terrorist attacks and U.S. military action in Afghanistan, household purchases were fuelled by:

- major personal income tax reductions granted earlier in the year (July in the United States; January and July in Canada);
- easing of monetary policies in North America, which led to considerably lower financing costs for personal loans and mortgages;
- the sharp drop in the price of crude oil;
- the major discounts and incentives, notably a 0% financing rate, offered by automobile manufacturers at the end of 2001 in an attempt to sustain sales and reduce inventory.

Automobile sales were a major contributor to the upsurge in durable goods consumption in the fourth quarter of 2001, which grew at a 39.2% annual rate in the United States and a 25.4% annual rate in Canada. Such strong growth has not been seen in 15 and 5 years, respectively.

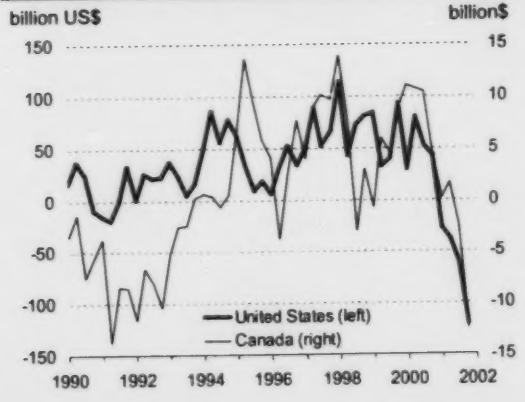
In addition, direct government spending on goods and services, and investments in infrastructures and machinery and equipment contributed strongly to the economic rebound in late 2001. In the last quarter of 2001, this spending grew at a 10.1% annual rate in the United States and a 3.6% annual rate in Canada.

Following the September 11 terrorist attacks, the U.S. government freed up major sums to support the war effort, strengthen homeland security and ward off other attacks. For its part, the Canadian government proposed additional spending to increase personal security. The provincial and municipal governments also increased their spending, more specifically their investments.

Whereas corporate demand was the principal deterrent to economic growth in 2001, it could soon be a driving force of the recovery, thanks to the major adjustments already made by businesses. Seeing their profit margins plunge, businesses have adjusted to the economic changes by paring their investments, imports and inventory. In the last quarter of 2001, inventories were liquidated at a rate rarely seen in Canada and at a record rate in the United States.

GRAPH 1.8

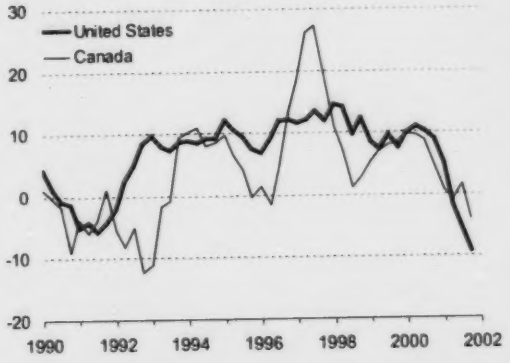
STRONG INVENTORY CORRECTION
(change in constant dollars)



Sources: DRI-WEFA and Statistics Canada.

GRAPH 1.9

DOWNTURN IN BUSINESS INVESTMENT
(annual percentage change)



Sources: DRI-WEFA and Statistics Canada.

Monetary conditions highly favourable to a recovery

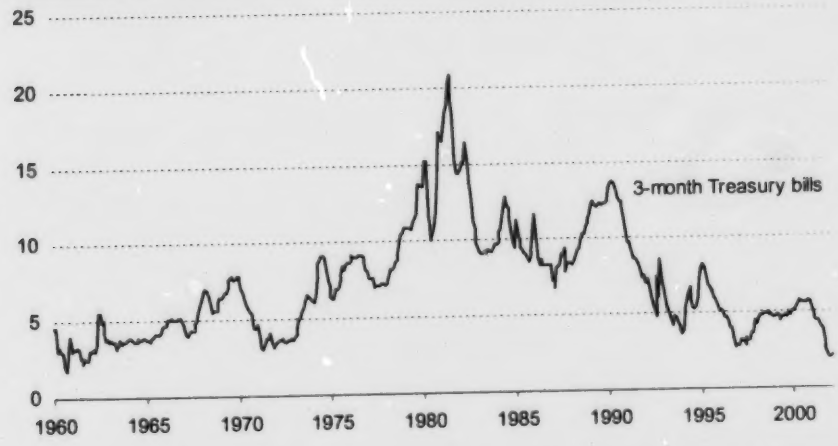
Current interest rates and the value of the Canadian dollar are very favourable to an economic recovery. However, a continued slide in the value of the Canadian dollar would adversely affect household purchasing power and productivity in the long term.

Lowest short-term interest rates in 40 years

Canadian and U.S. monetary authorities responded to the severe economic slump by aggressively easing monetary policy in 2001. Short-term interest rates were reduced to their lowest levels since the early 1960s. In Canada, for example, the average interest rate for 3-month Treasury Bills since the beginning of the year is 2.0%, a level not seen since September 1960.

GRAPH 1.10

LOWEST SHORT-TERM INTEREST RATES IN 40 YEARS – CANADA
(in percent)



Source: Bank of Canada.

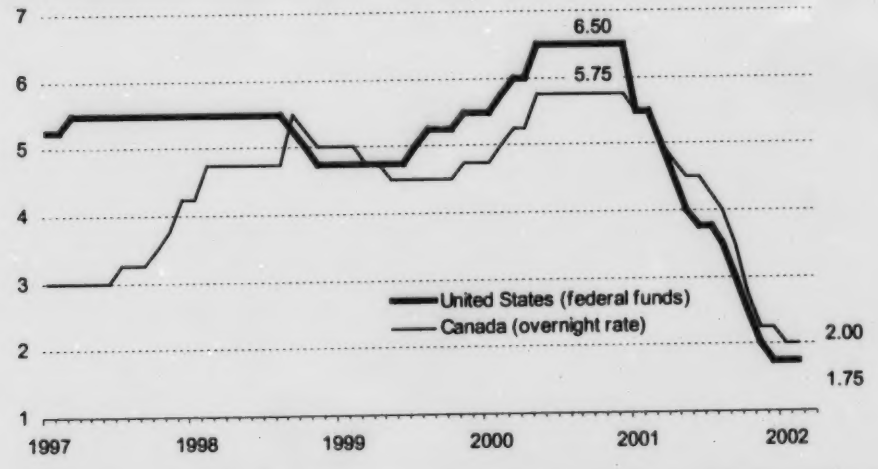
Between the beginning of January and September 10, 2001, the Bank of Canada and the U.S. Federal Reserve had already cut their leading rates six and seven times, respectively.

Following the terrorist attacks on September 11, the rates were cut another four times. The U.S. Federal Reserve lowered the federal funds target rate another 175 basis points, for a total reduction of 475 basis points since the beginning of January 2001. The Bank of Canada adopted a similar policy, lowering its overnight rate 200 basis points after September 11, for a total 375-point cut since the beginning of January 2001.

The low interest rates will continue to help revive the economy by sustaining economic agents' confidence, stimulating their spending and injecting more liquidity into the financial system.

GRAPH 1.11

MONETARY POLICY: SHARP INTEREST RATE CUTS SINCE THE BEGINNING OF 2001
(in percent)



Sources: DRI-WEFA and Bank of Canada.

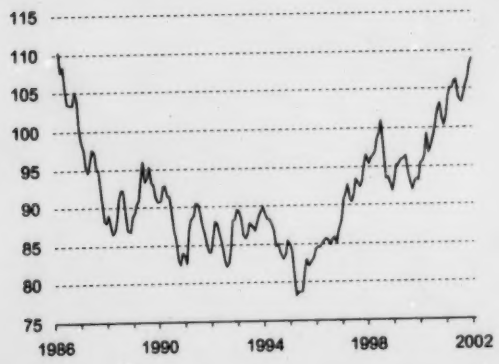
Canadian dollar falls to historic low

Despite the adverse long-term effects, the strong depreciation of the Canadian dollar against the U.S. dollar in 2001 is another factor that should help revive the Canadian economy by stimulating exports south of the border. The Canadian dollar fell to a historic low on January 21, 2002, closing at 61.75 cents U.S.

In spite of the sluggish U.S. economy, U.S. currency remains strong, highly valued by investors. It follows that the Canadian dollar, like other major currencies, is relatively weak. In 2001, the Canadian dollar was also hit by the lower prices for staple commodities and the lower productivity growth in Canada than in the United States.

GRAPH 1.12

U.S. DOLLAR AT ITS HIGHEST LEVEL SINCE 1986
(index*:1973 = 100)



* Relative to the major currencies.
Source: DRI-WEFA.

GRAPH 1.13

CANADIAN DOLLAR AT A HISTORIC LOW
(U.S. cents)

Source: Bank of Canada.

Sharp drop in oil prices

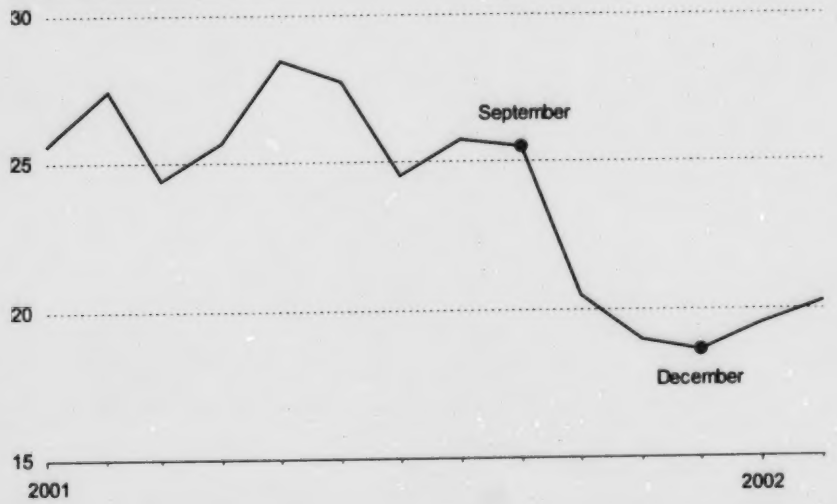
The price of oil was one of the key driving forces of the upturn in economic activity in the fourth quarter of 2001, bringing about an increase in household purchasing power.

After remaining relatively high during the first nine months of 2001, averaging over US$26, the price of oil suddenly dropped a few weeks after the events of September 11. The price of crude fell from US$25.5 in September 2001 to US$18.6 in December 2001. This decline was reflected in gas prices at the pump and bolstered consumer and corporate purchasing power: the money saved on gas could be used to purchase other goods and services. A drop of this magnitude is equivalent to a $250-million-plus injection into the Québec economy during a single quarter. For the year as a whole, it would be equivalent to over $1 billion, or 0.5% of Québec's GDP.

Several factors combined to reduce world oil demand. In addition to the drop in energy demand as a result of the economic downturn, a sharp decline in demand for aircraft fuel was observed due the contraction of the air transportation sector. As well, the demand for heating oil slid due to the exceptionally mild winter in North America and other major OECD nations.

GRAPH 1.14

SHARP DROP IN THE PRICE OF CRUDE OIL*
IN LATE 2001
(US$/barrel)



** North Sea Brent.*
Source: Bloomberg.

Furthermore, in the wake of September 11, OPEC decided not to cut its oil production in order to offset the drop in the world price.

A first step in this direction nevertheless occurred in late 2001. On December 28, the OPEC members agreed to trim their production by 1.5 million barrels a day after five non-OPEC producers announced they would be decreasing their output by 462 500 barrels a day.

To date, this move has resulted in only a slight increase in the price of crude, the OPEC production targets having been exceeded by 1.1 million and 0.7 million barrels a day in January and February 2002, respectively. In early March 2002, the barrel price for oil was still relatively low, near the bottom of the OPEC target band (between US$22 and US$28).

Slowdown in Québec less pronounced in the second half of the year

Like the other industrialized economies, Québec suffered a major slowdown in economic growth in 2001. However, Québec outperformed the United States and Canada in the second half of the year by posting greater increases in output (real GDP) and job creation.

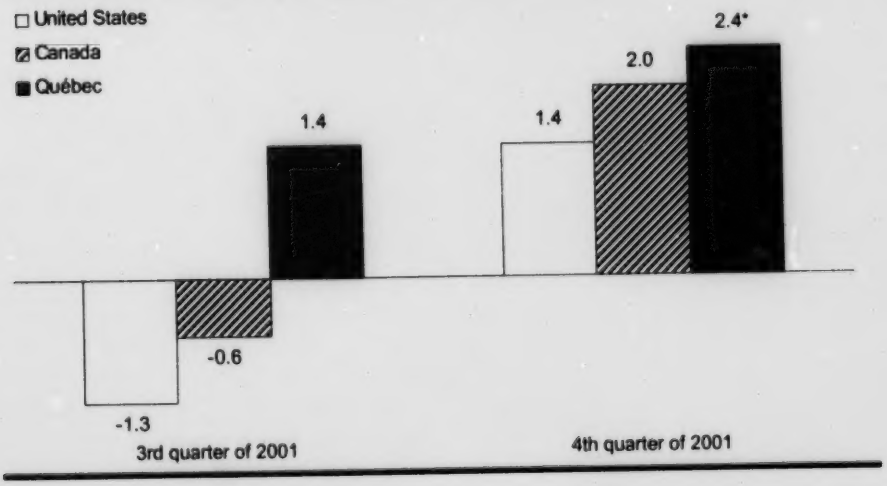
Real GDP and job creation: Québec stands out

Whereas the slowdown in economic activity deepened in the United States and Canada during the third quarter of 2001, translating into a 1.3% and 0.6% annual-rate drop in real GDP, respectively, Québec's economy grew 1.4%. This growth was sustained by residential construction, public-sector investments and an upturn in net exports.

Québec continued to outperform its neighbours in the fourth quarter of 2001. Its economy grew faster, reaching an annual rate of 2.4%, a better performance than in the United States and Canada. Domestic demand rebounded in Québec, thanks to the sharp increase in consumer spending, robust residential construction and strong growth in public investments. There was also a vigorous upturn in exports. However, as in the United States and Canada, production growth was weakened by a sharp reduction in inventory.

GRAPH 1.15

ECONOMIC GROWTH: QUÉBEC OUTPERFORMED ITS NEIGHBOURS IN THE SECOND HALF OF 2001
(percentage change at annual rate)

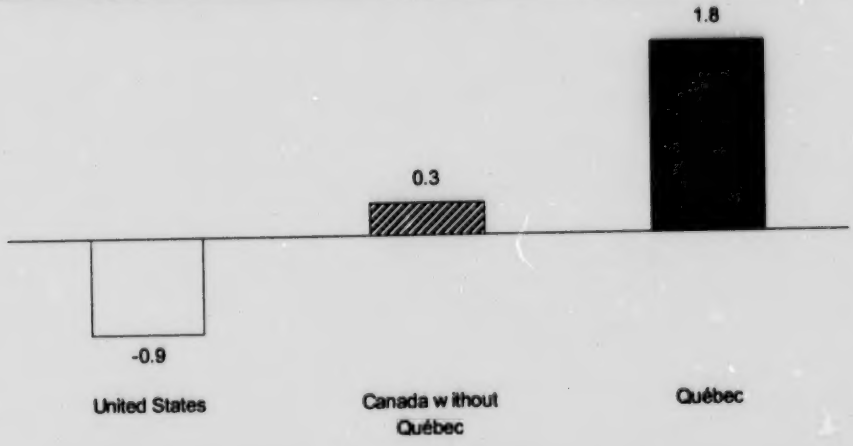


* Preliminary data.
Sources: DRI-WEFA, Statistics Canada, Institut de la statistique du Québec and ministère des Finances du Québec.

Mirroring its stronger economic recovery, Québec also performed better on the labour market. Between June 2001 and February 2002, employment grew 1.8% in Québec, compared with only a 0.3% gain in the rest of Canada and a 0.9% drop in the United States. While the United States lost 1.2 million jobs, Québec created 63 000. In the rest of Canada, only 33 000 jobs were created over the same period.

GRAPH 1.16

QUÉBEC ALSO PERFORMED BETTER IN THE NUMBER OF JOBS CREATED IN RECENT MONTHS
(percentage change between June 2001 and February 2002)



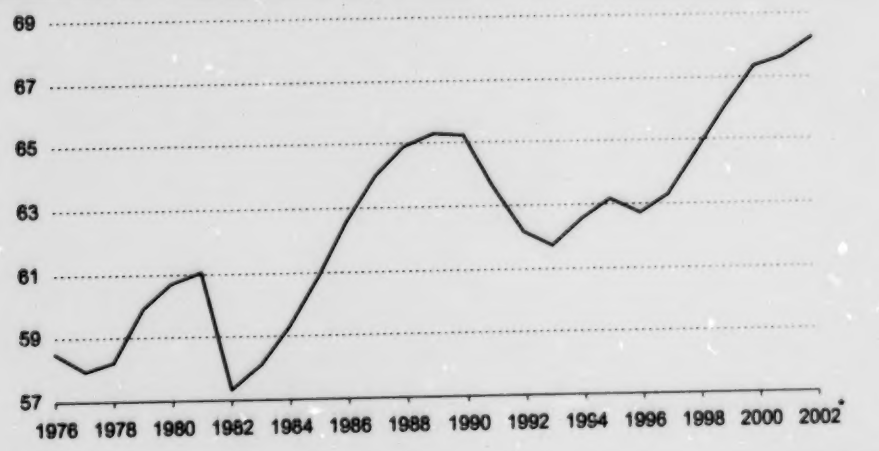
Sources: DRI-WEFA and Statistics Canada.

Thanks to the job growth, the employment rate for the 15-64 age group, i.e. the percentage of persons aged 15-64 who are gainfully employed, continued to climb during the second half of 2001 and early part of 2002, which is not the case in the rest of Canada and the United States. The employment rate for this age group is currently at a record high.

Encouraged by greater employment opportunities, more people entered the job market in Québec. The labour force participation rate, i.e. the percentage of the working-age population seeking or already with employment, gained more than one percentage point in the past few months, climbing from 73.8% in June 2001 to 75.4% in February 2002 among the 15-64 age group. However, since the labour market has been unable to absorb all of the new job seekers, the unemployment rate was up slightly from 8.8% in June 2001 to 9.3% in February 2002.

GRAPH 1.17

EMPLOYMENT RATE FOR THE 15-64 AGE GROUP CONTINUES TO RISE
(in percent)



* Average for January and February 2002.
Source: Statistics Canada.

Households support growth

Since the 2002-2003 Budget was brought down on November 1, 2001, households have become more confident and played a large part in Québec's renewed economic growth.

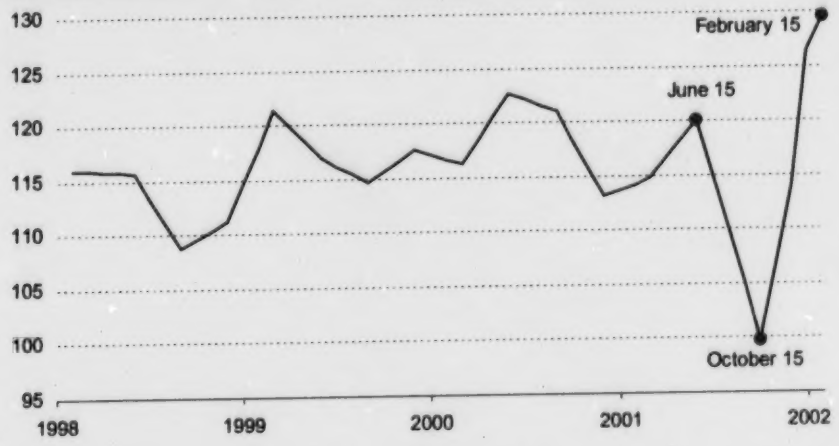
Vigorous rebound in household confidence

Not long after the Québec government brought down its 2002-2003 Budget, there was a vigorous rebound in household confidence. According to the Conference Board of Canada index, consumer confidence has increased nearly 30% since October 2001, more than enough to offset the 17% decline observed between June and October 2001, just after the September 11 attacks. In fact, household confidence has not been as high as it was in February 2002 since March 1988.

This spectacular rebound is attributable to several factors. Québec households regained confidence when they saw their purchasing power continue to increase as a result of job growth, the personal income tax reductions contained in previous budgets, the sharp drop in the price of oil, some of the lowest interest rates ever seen, low financing rates for new car or home purchases and the measures contained in the action plan introduced in the 2002-2003 Budget.

GRAPH 1.18

VIGOROUS REBOUND IN QUÉBEC HOUSEHOLD CONFIDENCE
(index: 1991 = 100)



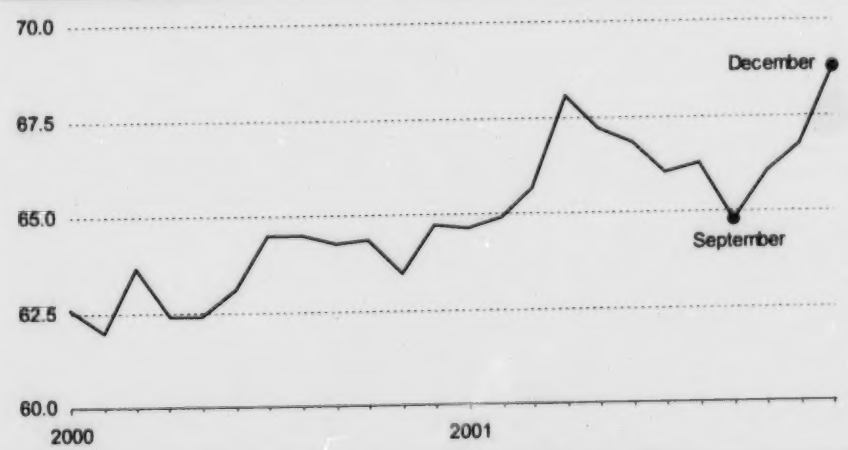
Source: Conference Board of Canada.

Sharp increase in retail sales

The renewed consumer confidence was mirrored by a sharp upturn in consumer spending in late 2001. Québec retail sales grew 2.0% in October, 1.1% in November and 3.0% in December 2001.

GRAPH 1.19

STRONG UPTURN IN RETAIL SALES IN LATE 2001
(in billions of dollars)



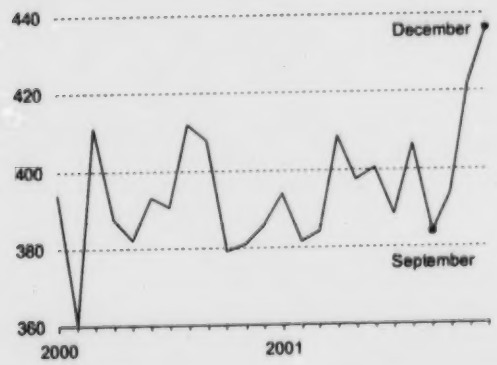
Source: Statistics Canada.

In December, Québec retail sales growth outpaced the rest of Canada by more than two to one (1.2%). Québec posted higher increases for food, pharmaceuticals, clothing and other semi-durable goods, automobiles and household appliances and furniture.

In the fourth quarter of 2001, household appliances and furniture posted the strongest growth, at 8.7%. This increase primarily reflects the sharp rise in housing starts and the currently advantageous credit terms. Furthermore, the September 11 terrorist attacks probably increased the attraction of cocooning. Strong increases have also been observed for clothing and other semi-durable goods (7.0%) and automobiles (6.2%). Enticing discounts offered by car dealers, notably a 0% financing rate, encouraged consumers to move up their purchases.

GRAPH 1.20

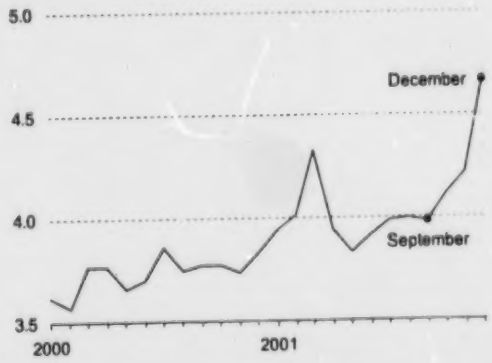
AUTOMOBILE SALES
(number of units, in thousands)



Source: Statistics Canada.

GRAPH 1.21

HOUSEHOLD APPLIANCE AND FURNITURE SALES
(in billions of dollars)



Source: Statistics Canada.

Increased residential construction spending

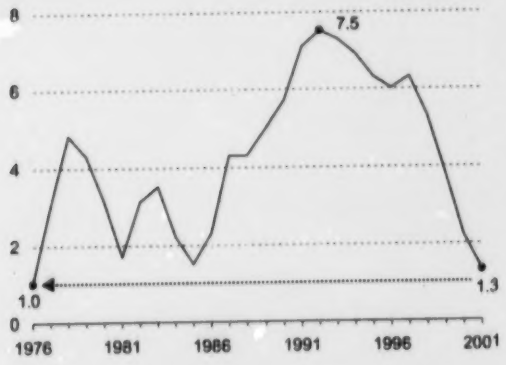
Since the 2002-2003 Budget was tabled, the housing market has been more vigorous than it has in years. Sales of existing and new homes have increased considerably.

This growth mirrors the significant narrowing of the gap between supply and demand. The rental housing vacancy rate for Québec as a whole fell to 1.3% in October 2001, or 6.2 percentage points below the 7.5% observed in October 1992 and the lowest rate since 1976. Since this represents the average vacancy rate for all of Québec, the actual rate is even lower in some cities; for example, 0.6% in Montréal and 0.8% in Québec City.

Sales of existing homes have continued to grow in recent years, to the degree that in January 2002, the listing/sales ratio was 1.1, the lowest it has been since these data first became available (1980). By comparison, between 1989 and 1995, there were four listings for every sale.

GRAPH 1.22

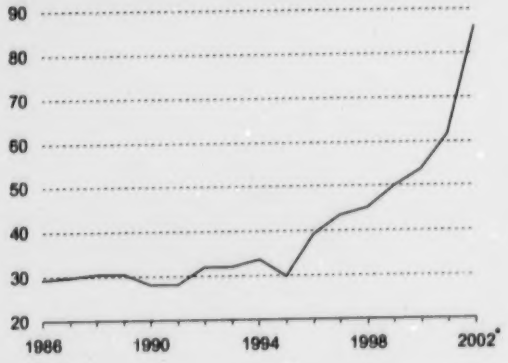
RENTAL HOUSING VACANCY RATE
(in percent)



Sources: Canada Mortgage and Housing Corporation and ministère des Finances du Québec.

GRAPH 1.23

RESALE OF EXISTING HOUSES
(number of sales in thousands)



* January 2002.
Source: Canadian Real Estate Association.

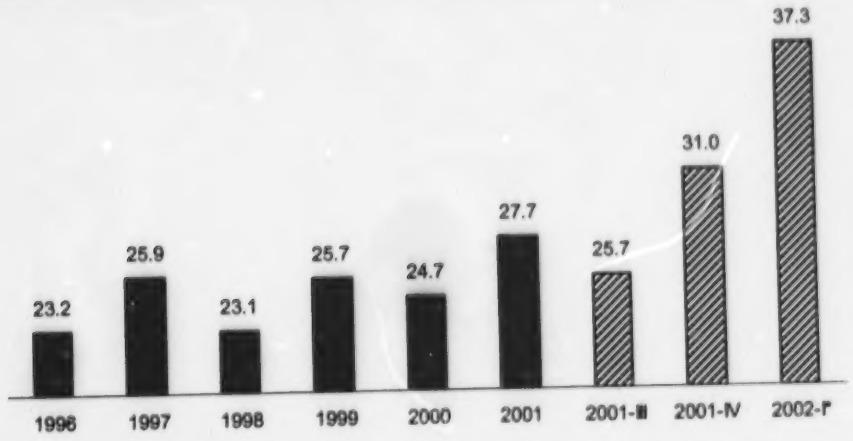
Many renters have decided to buy their own home. Low mortgage rates mean that monthly payments are not much more than the cost of renting, and the low vacancy rates make it difficult in some cities for tenants to find the rental housing they need.

Given the favourable conditions for new construction, housing starts rose by 20.6% in the last quarter of 2001 (from 25 700 to 31 000 units). This increase was followed by continued growth in January and February 2002, 20.3% over the last quarter of 2001, to 37 300 units at the average annual rate.

Housing starts were up 12.1% for 2001 as a whole, from 24 700 units in 2000 to 27 700 in 2001, the highest rate in seven years.

GRAPH 1.24

A HIGH LEVEL OF HOUSING STARTS
(thousands of units)



* Average for January and February 2002.
Source: Canada Mortgage and Housing Corporation.

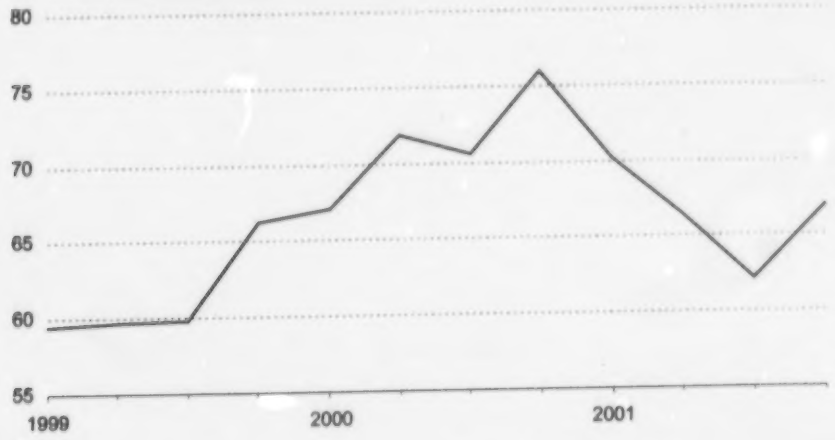
Exports start to recover

The export sector was another major engine of the renewed economic growth in Québec in late 2001. In the last quarter of the year, international exports of goods gained 7.7% in 1997 constant dollars.

The strongest growth during this period was in the transportation equipment and chemical products sectors, which expanded 48% and 20%, respectively. The increase in exports is primarily attributable to the aerospace industry, where exports nearly doubled: the 85% increase in the fourth quarter of 2001 more than offset the 33% drop recorded in the previous quarter. Operating in specialized niches, such as regional aircraft, Québec manufacturers as a whole did not suffer from the downturn in air transportation. The automobile sector also recovered at the end of the year, gaining 8%.

GRAPH 1.25

EXPORTS RECOVER IN LATE 2001
(in billions of 1997 dollars)



Source: Institut de la statistique du Québec.

Exports declined 6.9% in 2001 as a whole, a little less than anticipated in the 2002-2003 Budget (-7.4%). This decline is attributable to the economic slowdown in the United States, mainly the decrease in business nonresidential investment in computer and telecommunications equipment and the sag in automobile sales during 2001. Québec exports in these sectors were down 46% and 19%, respectively, with the decrease being only partially offset by the growth in the aerospace industry (25%) and other sectors as a whole (1.7%).

Government spending bolsters the economy

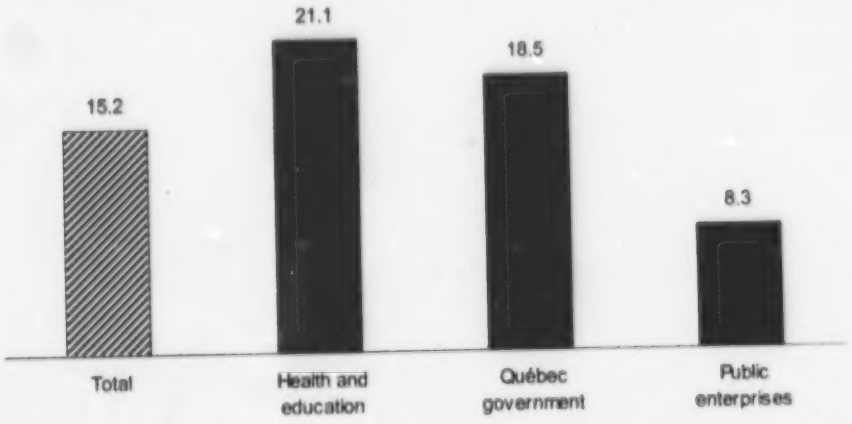
In addition to bolstering consumer confidence and purchasing power through transfers to persons, an improvement in the QST tax credit and personal income tax reductions, particularly the $1-billion cut that took effect on July 1, 2001, the Québec government also contributed to economic growth in 2001 through its goods and services purchases and its investments.

Whereas the increase in goods and services purchases was moderate, public investments grew the most in 2001. Generally speaking, the Québec government and Québec government enterprises, including Hydro-Québec, account for over two thirds of all public investments in Québec.

As shown in the most recent Statistics Canada survey, Québec public-sector investments were up 15.2% in 2001, owing to increases of 21.1% in the health and education sectors, 18.5% for the Québec government and 8.3% for Québec government enterprises.

GRAPH 1.26

GROWTH IN QUÉBEC PUBLIC-SECTOR INVESTMENTS, 2001
(in percent)



Source: Statistics Canada.

Businesses continue to adjust

Québec businesses were continuing to adjust at the end of 2001.

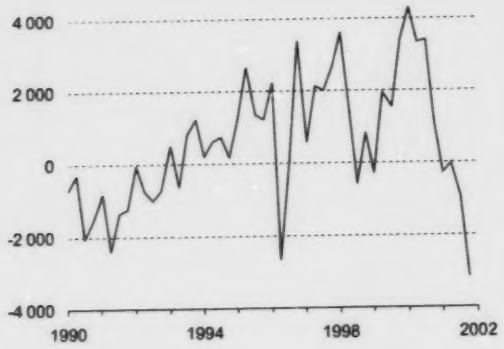
In particular, they took advantage of the strong growth in demand in the fourth quarter of 2001 to liquidate their inventory at a rate rarely seen before.

They also tightened their investment slightly. According to the most recent Statistics Canada survey, in February 2002, nonresidential investment by private businesses decreased 5.3% in 2001, as expected at the time of the July 2001 survey. The majority of this decrease is attributable to the completion of two major investment projects: the Alcan project in Alma and the Magnola project in Asbestos. Excluding these two projects, private-sector nonresidential investment was down only 0.3% in 2001.

Due to the sudden slowdown in economic growth and the overall low price of staple commodities around the world, corporate profits dropped an estimated 8.5% in 2001.

GRAPH 1.27

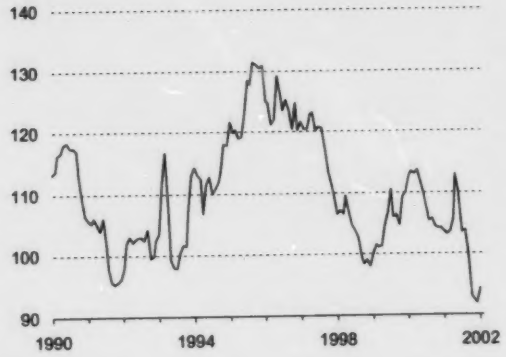
SHARP REDUCTION IN INVENTORY
(change in millions of dollars)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

GRAPH 1.28

LOW PRICES (US$) FOR STAPLE COMMODITIES, EXCEPT ENERGY
(index: 1982-1990 = 100)



Source: Bank of Canada.

Revised outlook for 2002 and 2003

Economic outlook in Europe and Japan

The short-term growth outlook for the European countries is encouraging. Thanks to the more expansionary monetary policy and the budget stimulation measures implemented by several countries, economic activity in the European Union zone should continue to grow in 2002 and 2003.

Private-sector forecasters predict a stronger upswing in the European economies in the second half of 2002, once the uncertainty and shaken confidence resulting from the September 11 attacks have eased and the macroeconomic policies introduced start to produce their full effect.

However, the 2002 growth projections for Europe, as forecast in October 2001, have been revised downward slightly, especially for Germany, where manufacturing activity slowed significantly. The EU economies as a whole are expected to grow 1.3% in 2002 and 2.7% in 2003.

By contrast, the short-term growth outlook for Japan remains grim. Japan will likely remain in recession for most of 2002. The contraction of foreign trade, particularly with the rest of Asia, as a result of the struggling high-technology sector, compounded the domestic weaknesses in the economy. According to the most recent forecasts, the Japanese economy will shrink 1.1% in 2002. Japan should start to recover once foreign markets begin to expand, more towards the end of 2002. Its growth rate in 2003 is expected to be 1.0%.

TABLE 1.1

ECONOMIC OUTLOOK IN EUROPE AND JAPAN
(real GDP, percentage change)

	Revision since 2002-2003 Budget	Outlook	
	2002	2002	2003
European Union	-0.5	1.3	2.7
- Germany	-0.7	0.8	2.5
- France	-0.4	1.4	2.8
- United Kingdom	-0.1	2.0	2.9
Japan	-0.7	-1.1	1.0

Source: Consensus Economics, March 2002.

Economic outlook in North America

According to the latest indicators, North America's economic recovery is well under way. The U.S. and Canadian economies grew in the fourth quarter of 2001 and will most likely continue to grow throughout 2002.

Both in Canada and the United States, economic activity should gradually accelerate in 2002, driven by the macroeconomic policies introduced in 2001. Consumer spending should continue to rise, with consumer purchasing power being sustained by low interest rates, moderate oil prices at the beginning of the year, and favourable fiscal and budgetary policies. Corporate demand will also be stronger thanks to the revival of the high-technology sector and the need for several sectors to rebuild their inventory somewhat.

The economic growth outlook for 2002 has been revised upward slightly since the tabling of the 2002-2003 Budget. Although private-sector forecasters are more divided than normal on the rate of economic growth, owing, in particular, to the higher level of uncertainty following the September 11 attacks, on average they anticipate 2.1% growth in both the United States and Canada in 2002. In 2003, economic growth should accelerate, reaching 3.5% in the United States and 3.7% in Canada.

TABLE 1.2

ECONOMIC OUTLOOK IN NORTH AMERICA
(real GDP, percentage change)

	Revision since 2002-2003 Budget	Outlook	
	2002	2002	2003
United States	0.9	2.1	3.5
Canada	0.4	2.1	3.7

Source: Consensus Economics, March 2002.

Economic outlook in Québec

Outlook as presented in the 2002-2003 Budget

The 2002-2003 Budget predicted that, as with most other industrialized nations, Québec's economy would continue to grow in the short term, albeit at a more subdued rate than previously anticipated.

This outlook reflected the impact of a number of shocks, in particular the sudden slowdown in the U.S. economy, the downturn in stock markets, the restructuration of the information and communications technologies sector, the higher energy and food prices and the loss of confidence on the part of economic agents owing to the uncertainty created by the September 11 attacks.

Encouraging developments should also help gradually revive the economy. Two factors in particular should play a key role in the revival, namely, monetary easing and the government's economic support measures, especially the economic recovery action plan announced in the previous Budget.

Owing to these factors, the 2002-2003 Budget predicted real GDP would grow 1.1% in 2001 and 1.7% in 2002. The economic recovery measures announced in the 2002-2003 Budget alone should add 0.7% to growth in the economy in 2002. In 2003, the growth rate should be 1.9%.

Revised outlook for 2002 and 2003

Overall, economic conditions remain favourable to continued growth in the Québec economy. As previously mentioned, economic activity started to recover in Québec in the second half of 2001, and should increase in 2002 as the effects of the public investment acceleration plan announced in the 2002-2003 Budget are felt and economic growth accelerates in the United States and Canada. In the short term, however, i.e. in the first half of 2002, economic growth should remain moderate, since consumers moved their spending plans forward to late 2001 and early 2002 and the U.S. economy has yet to hit its stride.

In this context, the revised economic outlook still indicates real GDP growth of 1.1% in 2001 and 1.7% in 2002, as forecast in the 2002-2003 Budget.

In 2003, Québec's economy should grow 2.9%, largely owing to the upswing in corporate demand and the faster economic growth in the United States and other industrialized nations.

Exports

Québec's international goods exports should gradually begin rising again this year, as economic recovery progresses in the United States. However, based on average annual rates, the growth rate should be relatively modest in 2002, or 1.0% in constant dollars, due to the pattern of the downturn in 2001.

A number of factors will contribute to the slower export growth this year. First, exports of automobiles and automobile parts will decline due to the sluggish automobile sales expected in the United States and the closure of the General Motors plant in Boisbriand. Not including the automobile sector, exports should grow 2.0%. Second, the fact that business nonresidential investment in the United States picked up somewhat later than predicted in October 2001, it will take longer for exports of computer and telecommunications equipment to recover.

For the second year in row, the largest gains in 2002 should be in exports of aircraft and aircraft parts.

Export growth should be much stronger next year (5.2%), thanks to the more pronounced upswing in the information processing and telecommunications sector and the strong upturn in U.S. demand for goods.

Household demand

Having regained confidence in recent months, households will continue to support economic growth in 2002 and 2003. Consumer purchasing power will be sustained by, in particular, job growth, lower interest rates in 2002 than in 2001, lower oil prices and favourable fiscal and budgetary policies.

Consequently, consumer spending should increase by 2.6% in 2002 and 4.1% in 2003. The number of housing starts should also rise in 2002, by 5.1%, owing to the low mortgage rates and the extremely tight supply and high demand in the housing market, both for rental units and existing houses. Around 29 000 new units should be built in 2002 and the same amount in 2003.

Investments

Nonresidential investment should climb 1.5% in 2002, according to the most recent Statistics Canada survey, conducted in February 2002. This increase is entirely attributable to the public investment acceleration plan announced in the 2002-2003 Budget ($3 billion over three years). This action plan will result in additional public investments of over $1.5 billion in 2002 alone.

The increase in public investments is timely in that, at the very least, it will offset the anticipated downturn in business investment in 2002. Business nonresidential investment should decline slightly in 2002 (-0.8%), before rising again in 2003 (3.8%).

Several factors contribute to the anticipated decline in business investment in 2002, notably the decrease in corporate profits and the drop in capacity utilization rates. However, were it not for the completion of two major investment projects (Alcan and Magnola), the projected growth in business investment in 2002, as measured by Statistics Canada, would have been slightly positive. Indeed, excluding these two projects, business investment should grow 1.4%. Moreover, the Statistics Canada data do not take into account the new Alcan and Alouette projects announced at the end of February 2002.

TABLE 1.3

ECONOMIC OUTLOOK
(percentage change)

	2001	2002	2003
OUTPUT			
— Real gross domestic product	1.1	1.7	2.9
— Gross domestic product	2.4	1.9	4.8
COMPONENTS OF EXPENDITURE			
— Consumption	3.7	2.6	4.1
— Housing starts ('000)	27.7	29.1	28.9
— Business nonresidential investment	-3.3[1]	-0.8[1]	3.8
— International exports of goods[2]	-6.9	1.0	5.2
COMPONENTS OF INCOME AND PRICES			
— Wages and salaries	3.6	2.6	4.0
— Personal income	3.4	2.4	3.5
— Corporate profits	-8.5	-11.6	14.0
— Consumer prices	2.4	1.4	1.9
LABOUR MARKET			
— Labour force	1.4	1.1	1.1
— Employment	1.1	0.7	1.7
— In thousands	37	26	58
— Unemployment rate (%)	8.7	9.0	8.5
INTEREST RATES – CANADA (%)			
— 3-month Treasury Bills	3.8	1.9	3.7
— 10-year federal bonds	5.5	5.2	5.9

1 Statistics Canada, Private and public investment, February 2002. Decrease owing to the completion of two major investment projects: the Alcan project in Alma and the Magnola project in Asbestos. Excluding these two projects, nonresidential investment grew 1.3% in 2001 and should grow 1.4% in 2002.
2 1997 constant dollars.

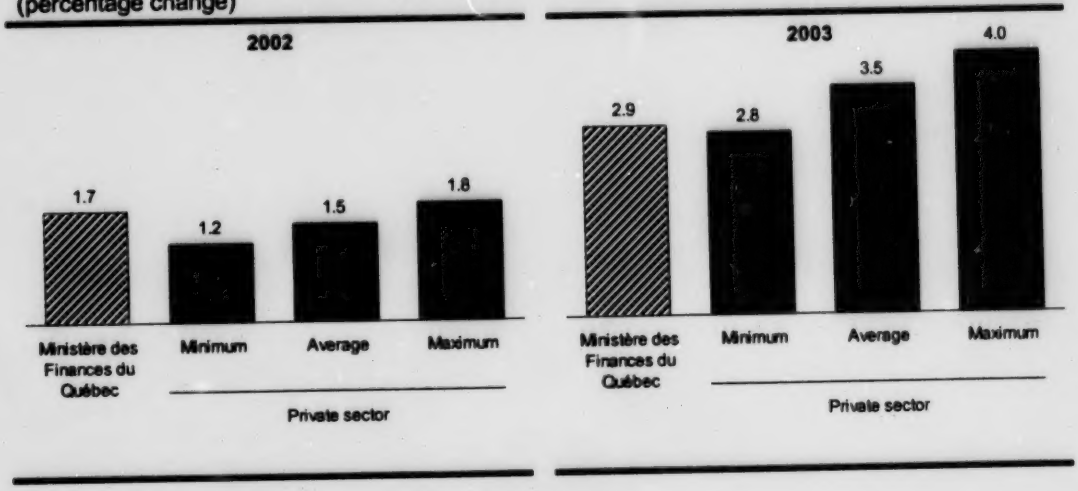
Comparison with private-sector forecasts

The economic outlook used to update the financial framework is virtually the same as that used in the private sector.

On average, private-sector forecasters anticipate 1.5% growth in the Québec economy in 2002. Ranging from 1.2% to 1.8%, the forecast growth rates do not vary nearly as much as those used to prepare the 2002-2003 Budget in October 2001, when they ranged from 0.4% to 1.7%. Clearly, there is less uncertainty over the short-term growth outlook. In October, the uncertainty was heightened by the September 11 terrorist attacks in the United States.

Private-sector forecasters expect Québec's economic growth to accelerate in 2003. On average, they anticipate the economy will grow at a rate of 3.5%. The forecast growth rates vary between 2.8% and 4.0%. The rate used to prepare this Supplement (2.9%) is in the lower range of the private-sector forecasts.

GRAPH 1.29
ECONOMIC GROWTH IN QUÉBEC – COMPARISON WITH PRIVATE-SECTOR FORECASTS
(percentage change)



Source: According to a ministère des Finances du Québec survey.

Section 2

The Government's Financial Position in 2001-2002 and Public Sector Borrowings

The government's financial transactions 3

Budgetary revenue 5
Budgetary expenditure 8
Non-budgetary transactions 10
Debt representing accumulated deficits 12
Financing 13
Borrowings 15
Repayment of borrowings 19
Total government debt 20

Historical data and preliminary results 23

Financial transactions of the gouvernement du Québec
- Summary 23
- Budgetary revenue 24
- Budgetary expenditure 25
- Non-budgetary transactions 26
- Financing transactions 28

Borrowings for the Consolidated Revenue Fund in 2001-2002 29
Borrowings for the Financing Fund in 2001-2002 30
Borrowings by Financement-Québec in 2001-2002 31
Borrowings by Hydro-Québec in 2001 32

Appendix

2.1 Results of consolidated organizations 33

The government's financial transactions[1]

The zero deficit forecast announced for the 2001-2002 fiscal year in the Budget Speech of last November 1 is maintained.

Consolidated budgetary revenue for fiscal 2001-2002 is revised to $50 093 million, $97 million more than anticipated in the last Budget. This increase in revenue may be explained by a $470-million rise in own-source revenue and a $373-million decline in federal transfers.

As for consolidated budgetary expenditure, it amounts to $51 043 million in 2001-2002, an upward revision of $97 million compared with the forecast in the Budget of November 1, 2001. Given that program spending remains unchanged compared with the 2002-2003 Budget, this increase stems for the most part from the adjustments made with respect to consolidated organizations.

The budgetary reserve of $950 million will be used in full in 2001-2002, with $670 million being devoted to maintaining a balanced budget. It should be noted that the draft legislation respecting the budgetary reserve was adopted by the National Assembly in December 2001.

Consolidated net financial requirements are revised to $655 million, a decrease of $52 million compared with the figure announced in the November 2001 Budget. The net financial requirements of consolidated organizations thus amount to $655 million, mainly because of capital investments, while no net financial requirements are anticipated by the Consolidated Revenue Fund.

With respect to financing transactions, the change in direct debt is revised upward to $1 193 million compared with the forecast in the 2002-2003 Budget Speech. This adjustment can be attributed notably to an increase in deposits in the retirement plans sinking fund and pre-financing.

1 The data in this section have been adjusted, for purposes of comparison, on the basis of the 2002-2003 budgetary and financial structure.

TABLE 2.1

GOUVERNEMENT DU QUÉBEC
SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS[1]
(in millions of dollars)

	2000-2001	2001-2002		
	Actual results	Budget Speech 2001-11-01	Preliminary results [2]	Change compared with Budget
Budgetary transactions				
Own-source revenue	42 895	40 336	40 806	470
Federal transfers	8 145	9 660	9 287	- 373
Total revenue	51 040	49 996	50 093	97
Operating expenditure	- 42 057	- 43 544	- 43 671	- 127
Debt service	- 7 606	- 7 402	- 7 372	30
Total expenditure	- 49 663	- 50 946	- 51 043	- 97
Budgetary reserve				
Funds allocated to reserve	- 950	—	—	—
Use of funds allocated to reserve				
Financing spending	—	280	280	—
Maintaining a balanced budget	—	670	670	—
Budgetary surplus after reserve	**427**	**0**	**0**	**0**
Non-budgetary transactions				
Investments, loans and advances	- 1 632	- 1 317	- 1 088	229
Capital expenditures	- 473	- 691	- 911	- 220
Retirement plans	1 793	1 987	2 042	55
Other accounts	- 631	- 686	- 698	- 12
Non-budgetary requirements	**- 943**	**- 707**	**- 655**	**52**
Net financial requirements	**- 516**	**- 707**	**- 655**	**52**
Financing transactions				
Change in cash position	- 473	941	578	- 363
Change in direct debt[3]	3 008	2 032	3 225	1 193
Retirement plans sinking fund[4]	- 2 019	- 2 266	- 3 148	- 882
Total financing of transactions	**516**	**707**	**655**	**- 52**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 The data have been adjusted, for purposes of comparison, on the basis of the 2002-2003 budgetary and financial structure. The adjustments required with regard to the data presented in the Budget Speech of November 1, 2001 stem from the implementation of the family policy regarding subsidized day care spaces in day care centres, which increases both revenue and expenditure by $38 million.

2 The preliminary results for 2001-2002 are based on actual data recorded from April 2001 to January 2002 and on an estimate, as at March 8, 2002 of the February and March results for which transactions will be posted to 2001-2002 transactions up to the closing of the books.

3 The change in direct debt includes new borrowings less repayment of borrowings.

4 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

Budgetary revenue

For the 2001-2002 fiscal year, budgetary revenue is expected to amount to $50 093 million, a decline of 1.9% compared with 2000-2001. This result can be attributed mainly to the reductions in the tax burden of individuals and corporations announced in recent budgets.

Own-source revenue

Own-source revenue is expected to amount to $40 806 million, $470 million more than forecast in last November's Budget Speech. This revision is due to, among other things, the stronger-than-anticipated growth in revenue from income tax and other taxes, particularly in the first quarter of 2002, and the lower-than-expected cost of the deferral of corporate tax instalments. Furthermore, the revenue of consolidated organizations is higher than forecast and thus offsets the lower-than-expected revenue from government enterprises.

TABLE 2.2

SUMMARY OF THE CHANGE IN OWN-SOURCE REVENUE
(in millions of dollars)

	2000-2001	2001-2002			
	Actual results	Budget Speech 2001-11-01	Preliminary results	Change compared with Budget	Change compared with 2000-2001
					%
Personal income tax	17 107	15 597	15 722	125	– 8.1
Health Services Fund	4 488	4 396	4 426	30	– 1.4
Corporate taxes	4 217	3 817	4 015	198	– 4.8
Consumption taxes	9 393	9 845	9 882	37	5.2
Government enterprises	3 496	2 707	2 635	– 72	– 24.6
Consolidated organizations	1 851	1 662	1 784	122	– 3.6
Other revenue	2 343	2 312	2 342	30	—
Total own-source revenue	**42 895**	**40 336**	**40 806**	**470**	**– 4.9**

Revenue from personal income tax and contributions to the Health Services Fund is adjusted upward by $125 million and $30 million respectively. These adjustments stem mainly from stronger-than-anticipated tax revenue in the first quarter of 2002.

Corporate tax revenue is also revised upward by $198 million, owing to the lower-than-expected cost of the measure announced in the 2002-2003 Budget that allowed small and medium-sized enterprises to defer for six months their tax instalments for the last quarter of 2001. However, a downward adjustment of corporate profits in 2001 partly reduces these excess amounts.

Revenue from consumption taxes is $37 million higher than forecast in the Budget Speech of last November. This upward revision is due primarily to the higher fuel tax revenue stemming from increased fuel consumption, which may in turn be attributed to lower-than-anticipated prices. It also reflects the fact that revenue from the tobacco tax is higher than expected given that the tax increase announced in the 2002-2003 Budget took effect in November, two months earlier than anticipated when the financial framework of the Budget Speech was prepared. These impacts were partly offset by lower-than-anticipated revenue from the sales tax, because of the downward revision of anticipated consumer expenditures for the first quarter of 2002.

Revenue from government enterprises is revised downward by $72 million. The Société des alcools du Québec and Loto-Québec show increases of $10 million and $47 million respectively compared with the forecasts in the 2002-2003 Budget Speech. However, the preliminary results for other government enterprises are weaker than anticipated.

Federal transfers

Federal transfers should amount to $9 287 million for fiscal 2001-2002, a decrease of $373 million compared with the forecast in last November's Budget Speech.

TABLE 2.3

SUMMARY OF THE CHANGE IN FEDERAL TRANSFERS
(in millions of dollars)

	2000-2001	2001-2002			
	Actual results	Budget Speech 2001-11-01	Preliminary results	Change compared with Budget	Change compared with 2000-2001
					%
Equalization	5 650	5 777	4 867	– 910	– 13.9
Canada Health and Social Transfer (CHST)	1 597	2 915	2 993	78	87.4
Other transfers related to fiscal arrangements	30	15	15	—	– 50.0
Other programs	618	531	518	– 13	– 16.2
Consolidated organizations	250	422	424	2	69.6
Sub-total	8 145	9 660	8 817	– 843	8.3
Property tax deferral (equalization)	—	—	470	470	—
Total	**8 145**	**9 660**	**9 287**	**– 373**	**14.0**

Equalization revenue is revised downward by $910 million mainly because of the change made by the federal government to the method used to measure fiscal capacity for property tax base purposes. These adjustments also reflect an increase in Québec's relative fiscal capacity with regard to corporate taxes and personal income tax and a decline in provincial revenue subject to equalization.

The upward revision of $78 million in respect of the Canada Health and Social Transfer (CHST) reflects the downward adjustment of the tax transfer used by the federal government for calculation purposes, which increases cash transfers to Québec accordingly.

However, the federal government decided, following representations by Québec, to defer until fiscal 2003-2004 the $470-million impact in 2001-2002 of the contemplated change to the property tax base calculation method. As a result of this deferral, federal transfers are revised downward by $373 million.

Budgetary expenditure

The forecast for budgetary expenditure is revised to $51 043 million for fiscal 2001-2002, $97 million more than anticipated in the Budget Speech of November 1, 2001. In all, there is a 2.8% increase in budgetary expenditure compared with 2000-2001.

TABLE 2.4

SUMARY OF THE CHANGE IN BUDGETARY EXPENDITURE
(in millions of dollars)

	2000-2001				2001-2002
	Actual results	Budget Speech 2001-11-01	Preliminary results	Change compared with Budget	Change compared with 2000-2001
					%
Program spending objective	40 874	41 967	41 967	—	2.7
Use of budgetary reserve for spending	—	280	280	—	—
Program spending	40 874	42 247	42 247	—	3.4
Consolidated organizations	1 183	1 297	1 424	127	20.4
Total operating expenditure	**42 057**	**43 544**	**43 671**	**127**	**3.8**
Debt service					
Consolidated Revenue Fund					
Direct debt service	4 378	4 098	4 000	– 98	– 8.6
Retirement plans	2 594	2 637	2 732	95	5.3
	6 972	6 735	6 732	– 3	– 3.4
Consolidated organizations	634	667	640	– 27	0.9
Total debt service	**7 606**	**7 402**	**7 372**	**– 30**	**– 3.1**
Total budgetary expenditure	**49 663**	**50 946**	**51 043**	**97**	**2.8**

Operating expenditure

Operating expenditure is revised to $43 671 million, $127 million more than anticipated in the Budget Speech of November 1, 2001. This increase stems exclusively from the adjustments in respect of consolidated organizations, with the result that program spending remains unchanged compared with the 2002-2003 Budget.

Debt service

Debt service is revised downward by $30 million compared with the forecast in the 2002-2003 Budget Speech; it currently amounts to $7 372 million, of which $4 000 million is for direct debt service, $2 732 million for the interest on the net retirement plans liability and $640 million for the debt service of consolidated organizations.

The $98-million downward revision in regard to direct debt service is essentially due to the sharper-than-anticipated drop in short-term interest rates in Canada and the United States. As for $95-million increase in the interest on the net retirement plans liability, it may be attributed to the new actuarial valuations of the four plans with the most members in this account, which in turn leads to an increase in the government's actuarial obligations.

Non-budgetary transactions

Net financial requirements stemming from non-budgetary transactions amount to $655 million, $52 million less than forecast in the November 2001 Budget Speech.

TABLE 2.5

SUMMARY OF NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

			2001-2002
	Budget Speech 2001-11-01	Preliminary results	Change
Consolidated Revenue Fund			
Investments, loans and advances			
Government enterprises	– 1 223	– 919	304
Municipalities, municipal bodies, individuals, corporations and others	– 38	– 406	– 368
	– 1 261	– 1 325	– 64
Capital expenditures	150	1	– 149
Retirement plans	1 987	2 042	55
Other accounts	– 756	– 574	182
Total Consolidated Revenue Fund	**120**	**144**	**24**
Consolidated organizations[1]	**– 827**	**– 799**	**28**
Non-budgetary requirements	**– 707**	**– 655**	**52**

Note: A negative amount indicates a financial requirement and a positive amount, a source of financing.

1 The breakdown of transactions is shown in Table 2.14.

Financing needs with regard to investments, loans and advances are adjusted upward by $64 million mainly because of an increase in advances to consolidated organizations in order to finance capital investments. This increase is partly offset by weaker-than-expected investments in government enterprises.

The $149-million decrease in capital expenditures stems essentially from a revision of the amortization schedule for certain capital expenditures.

The annual surplus of the retirement plans liability, estimated at $1 987 million in the last Budget, has been adjusted upward by $55 million, to $2 042 million. This change results mainly from the increase in contributions by the government as employer.

Transactions related to other non-budgetary accounts represent year-to-year changes in these financial items. These accounts, which include, in particular, cash and bills on hand, outstanding cheques, accounts receivable and accounts payable, can fluctuate a great deal because of the variability of government cash inflow and disbursements. For 2001-2002, the balance of the other accounts shows an increase of $182 million compared with the figure announced in the November 2001 Budget Speech.

Debt representing accumulated deficits

At the end of the current fiscal year, the debt representing accumulated deficits will amount to $81 992 million, the same level as at the end of the previous fiscal year. This concept of debt corresponds to deficits accumulated and budgetary surpluses achieved over the years. It is important to specify that there is a difference between reducing the debt that represents accumulated deficits and reducing the debt that corresponds to government borrowings. Although the debt corresponding to borrowings may grow when the government has to finance its capital expenditures, this would not lead to an increase in the debt corresponding to accumulated deficits.

TABLE 2.6

CHANGE IN THE DEBT REPRESENTING ACCUMULATED DEFICITS
(in millions of dollars)

	As at March 31		
	2001	**2002[1]**	**Change**
Consolidated direct debt[2]	63 630	66 668	3 038
Net retirement plans liability	39 111	38 005	– 1 106
Total debt[2]	**102 741**	**104 673**	**1 932**
Less: financial assets and capital expenditures net of other liabilities	– 20 749	– 22 681	– 1 932
Debt representing accumulated deficits	**81 992[3]**	**81 992**	**0**
Budgetary surplus after reserve	**427**	**0**	**—**

1 Preliminary results.
2 Excluding pre-financing of $1 475 million in 2000-2001 and $1 178 million in 2001-2002. Including pre-financing, the total debt reached $104 216 million in 2000-2001 and will reach $105 851 million in 2001-2002.
3 Including $950 million placed in reserve.

Financing

The preliminary results show that the change in the direct debt should amount to $3 225 million, $1 193 million more than anticipated in the 2002-2003 Budget. Borrowings in fiscal 2001-2002 will amount to $8 941 million ($7 703 million for the Consolidated Revenue Fund and $1 238 million for consolidated organizations), $1 567 million more than forecast in the last Budget.

TABLE 2.7

SUMMARY OF FINANCING TRANSACTIONS
(in millions of dollars)

			2001-2002
	Budget Speech 2001-11-01	**Preliminary results**	**Change**
Change in cash position			
Consolidated Revenue Fund	622	299	– 323
Consolidated organizations	319	279	– 40
Total change in cash position	**941**	**578**	**– 363**
Change in direct debt			
Consolidated Revenue Fund			
New borrowings	6 246	7 703	1 457
Repayment of borrowings	– 4 602	– 4 854	– 252
	1 644	2 849	1 205
Consolidated organizations			
New borrowings	1 128	1 238	110
Repayment of borrowings	– 740	– 862	– 122
	388	376	– 12
Total change in direct debt	**2 032**	**3 225**	**1 193**
Retirement plans sinking fund	**– 2 266**	**– 3 148**	**– 882**
Total financing of transactions	**707**	**655**	**– 52**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

Financing of the Consolidated Revenue Fund

The preliminary results show that the change in the direct debt of the Consolidated Revenue Fund amounts to $2 849 million, an increase of $1 205 million compared with the figure announced in the 2002-2003 Budget. Borrowings in fiscal 2001-2002 will amount to $7 703 million, $1 457 million more than forecast in the last Budget. This increase in borrowings is due to the fact that deposits in the retirement plans sinking fund will be $882 million higher than anticipated; the repayment of borrowings, $252 million higher than forecast; and pre-financing, $323 million higher than expected. For fiscal 2001-2002, pre-financing transactions are estimated at $1 178 million. The high level of pre-financing transactions will make it possible to cover the repayment of certain borrowings that will fall due on the first day of the next fiscal year.

Owing to pre-financing, the cash level will be reduced by only $299 million, although a $622-million decrease was forecast in the Budget of November 1, 2001.

Financing of consolidated organizations

The change in the direct debt of consolidated organizations should amount to $376 million, $12 million less than anticipated in the last Budget.

Borrowings

In all, the government contracted borrowings of $9 213 million in 2001-2002, of which $7 703 million was for Consolidated Revenue Fund needs (including $3 148 million to make deposits in the retirement plans sinking fund) and $1 510 million, for the Financing Fund. The borrowings of the Financing Fund are used to meet the financial requirements of consolidated organizations ($1 238 million) and non-consolidated organizations ($272 million).

The implementation of the financing program in 2001-2002 was characterized by the excellent receptivity of financial markets to Québec securities.

In all, 60% of the financing program, or $5 486 million, was conducted in Canadian dollars. The government carried out five public bond issues in Canadian dollars for a total of $2 385 million, and real return issues for a total of $40 million. Private-contract financing worth $1 656 million was carried out with the Caisse de dépôt et placement du Québec. Lastly, savings products sold by Placements Québec should provide the government with $525 million in financing.

Borrowings totalling $3 727 million, or 40% of the financing program, were obtained in foreign currency as part of the government's financing sources diversification strategy. Three public bond issues in foreign currency were made in 2001-2002. First, a global bond issue in US dollars for US$1 billion (CAN$1 558 million, of which CAN$400 million was advanced to the Financing Fund in order to be loaned to consolidated organizations) was carried out in April 2001. A bond issue for 50 billion yen (CAN$625 million) was then made in May. Lastly, the government carried out a first public bond issue on the euro market for $1.5 billion euros (CAN$1 944 million) in June.

TABLE 2.8

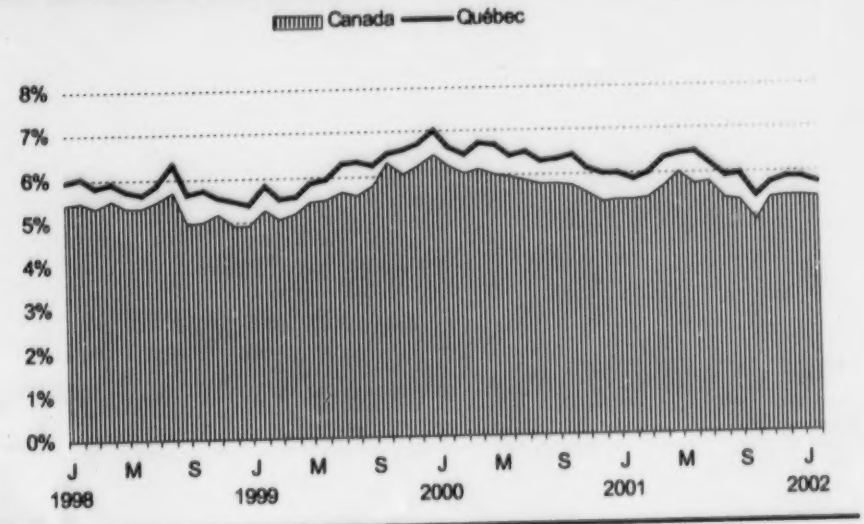
SUMMARY OF BORROWINGS IN 2001-2002
(in millions of dollars)

Currency	Consolidated Revenue Fund	Consolidated organizations	Non-consolidated organizations	Total	%
Canadian dollar					
Public issues					
Negotiable bonds	2 385	400[1]	—	2 785	50.8
Real return bonds	40	—	—	40	0.7
Medium-term notes	191	110	—	301	5.5
Private issues					
Caisse de dépôt et placement du Québec	656	728	272	1 656	30.2
Canada Pension Plan Investment Fund	7	—	—	7	0.1
Savings products	525	—	—	525	9.6
Immigrant Investor Program	140	—	—	140	2.5
Change in debt resulting from currency swaps	32	—	—	32	0.6
Sub-total	**3 976**	**1 238**	**272**	**5 486**	**59.5**
US dollar					
Public issue					
Negotiable bonds	1 158[1]	—	—	1 158	100.0
Sub-total	**1 158**	—	—	**1 158**	**12.6**
Other currencies					
Public issues					
Euro	1 944	—	—	1 944	75.7
Yen	625	—	—	625	24.3
Sub-total	**2 569**	—	—	**2 569**	**27.9**
Total	**7 703**	**1 238**	**272**	**9 213**	**100.0**

1 The original borrowing was for US$1 billion, or CAN$1 558 million. An amount of CAN$400 million derived from this borrowing was advanced to the Financing Fund in order to be loaned to consolidated organizations.

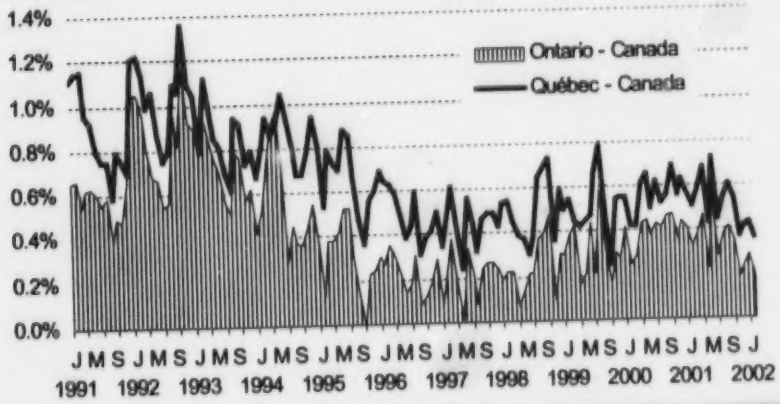
GRAPH 2.1

YIELD ON QUÉBEC AND CANADA LONG-TERM (10-YEAR) GOVERNMENT SECURITIES



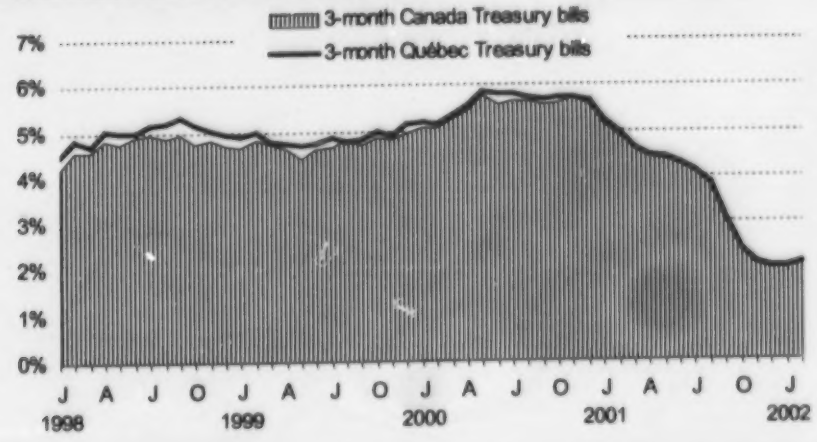
GRAPH 2.2

YIELD SPEAD ON LONG-TERM (10-YEAR) SECURITIES


1.4%
1.2%
1.0%
0.8%
0.6%
0.4%
0.2%
0.0%
Ontario - Canada
Québec - Canada
J M S J M S J M S J M S J M S J M S J M S J M S J M S J M S J M S J M S J M S J
1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002

GRAPH 2.3

YIELD ON SHORT-TERM SECURITIES



Repayment of borrowings

The preliminary results show that the repayment of borrowings of the Consolidated Revenue Fund and consolidated organizations for fiscal 2001-2002 will amount to $5 716 million, $374 million more than forecast in the Budget of November 1, 2001.

Repayment of borrowings of the Consolidated Revenue Fund

The repayment of borrowings of the Consolidated Revenue Fund for fiscal 2001-2002 amounts to $4 854 million, $252 million more than anticipated in the last Budget. This increase is explained mainly by the additional payments made to the sinking fund for government borrowings, which are recorded as repayments.

Repayment of borrowings of consolidated organizations

The repayment of borrowings of consolidated organizations amounts to $862 million in 2001-2002, an increase of $122 million compared with the figure anticipated in the last Budget.

Total government debt

The government's total debt consists of the consolidated direct debt and the net retirement plans liability. The consolidated direct debt is the sum of the direct debt of the Consolidated Revenue Fund and the debt of consolidated organizations. As for the net retirement plans liability, it consists of the retirement plans liability minus the balance of the retirement plans sinking fund (RPSF), an asset that may eventually be used to pay the retirement benefits of public and parapublic sector employees.

The government's consolidated direct debt should amount to $67 846 million as at March 31, 2002, or $63 730 million as direct debt of the Consolidated Revenue Fund and $4 116 million as direct debt of the consolidated organizations.

It should be noted that an amount of $1 178 million included in the consolidated direct debt represents pre-financing in 2001-2002 that will be used to cover part of the borrowings to be made in 2002-2003.

The net retirement plans liability should total $38 005 million as at March 31, 2002 and consists of $48 212 million as the retirement plans liability minus the value of the RPSF, or $10 207 million.

Excluding pre-financing, the government's total debt should be $104 673 million as at March 31, 2002.

TABLE 2.9

TOTAL ANTICIPATED GOVERNMENT DEBT AS AT MARCH 31, 2002
(in millions of dollars)

	Consolidated direct debt				
	Direct debt of the Consolidated Revenue Fund	Consolidated organizations	Total	Net retirement plans liability	Total debt
Anticipated debt as at March 31, 2002	63 730	4 116	67 846	48 212	116 058
Retirement plans sinking fund	—	—	—	– 10 207	– 10 207
Sub-total	**63 730**	**4 116**	**67 846**	**38 005**	**105 851**
Pre-financing	– 1 178	—	– 1 178	—	– 1 178
Total	**62 552**	**4 116**	**66 668**	**38 005**	**104 673** [1]

Note: The debt in foreign currency is expressed in the Canadian equivalent based on the exchange rates in effect on March 1, 2002.

1 The total debt of the Consolidated Revenue Fund, which is shown in Table 2.10, thus amounts to $100 557 million ($62 552 million as direct debt of the Consolidated Revenue Fund and $38 005 million as the net retirement plans liability).

Net retirement plans liability

The net retirement plans liability is the recorded value of government commitments with regard to the retirement plans of public and parapublic sector employees, minus the value of the retirement plans sinking fund (RPSF). As at March 31, 2002, the net retirement plans liability should amount to $38 005 million.

Change in the direct debt and the RPSF

To analyse the change in the components of the direct debt of the Consolidated Revenue Fund from one fiscal year to the next, it is important to exclude the impact of the RPSF.

As shown in the following table, the direct debt of the Consolidated Revenue Fund should rise by $2 614 million between March 31, 2001 and March 31, 2002 (after taking pre-financing into account). However, this increase is essentially due to the substantial deposits that were made in the RPSF in 2001-2002. If the value of the RPSF as at March 31 of each fiscal year were subtracted from the direct debt of the Consolidated Revenue Fund, it can be noted that this debt would have decreased by $534 million, while the retirement plans liability would have risen by $2 042 million in 2001-2002.

TABLE 2.10

DIRECT DEBT OF THE CONSOLIDATED REVENUE FUND AND RETIREMENT PLANS LIABILITY, EXCLUDING THE IMPACT OF THE RPSF
(in millions of dollars)

	As at March 31		
	2001	**2002**	**Change**
Direct debt (including the RPSF and pre-financing)	61 413	63 730	2 317
Pre-financing	– 1 475	– 1 178	297
Direct debt (including the RPSF)	59 938	62 552	2 614
Balance of the RPSF	– 7 059	– 10 207	– 3 148
Direct debt (excluding the RPSF)	**52 879**	**52 345**	**– 534**
Net retirement plans liability	39 111	38 005	– 1 106
Balance of the RPSF	7 059	10 207	3 148
Retirement plans liability	**46 170**	**48 212**	**2 042**
Total debt of the Consolidated Revenue Fund	**99 049**	**100 557**	**1 508**

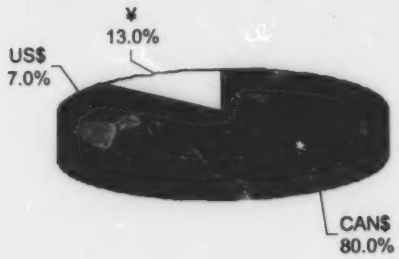
Structure of the government's debt

Over the past few years, in order to keep debt service expenditures to a minimum, the Québec government has implemented a debt management approach whereby it maintains part of its debt in foreign currency. Similarly, a portion of its debt is at fixed interest rates, while another portion is at variable interest rates.

As at March 31, 2002, the proportion of government-managed debt (debt of the Consolidated Revenue Fund and that incurred to make advances to the Financing Fund) in Canadian dollars will amount to 80% and the proportion in foreign currency, 20%. In addition, the share of the debt at fixed interest rates should be 71.5%, while the share at variable interest rates should stand at 28.5%.

GRAPH 2.4

STRUCTURE OF THE DEBT MANAGED BY THE GOVERNMENT[1] BY CURRENCY AND INTEREST RATE (FIXED OR VARIABLE) AS AT MARCH 31, 2002



1 Debt of the Consolidated Revenue Fund and debt incurred to make advances to the Financing Fund.

Historical data and preliminary results

TABLE 2.11

GOUVERNEMENT DU QUÉBEC
SUMMARY OF FINANCIAL TRANSACTIONS
(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002 [1]
Budgetary transactions				
Own-source revenue	38 649	41 076	42 895	40 806
Federal transfers	8 071	6 334	8 145	9 287
Total revenue	46 720	47 410	51 040	50 093
Operating expenditure	- 39 407	- 40 031	- 42 057	- 43 671
Debt service	- 7 187	- 7 372	- 7 606	- 7 372
Total expenditure	- 46 594	- 47 403	- 49 663	- 51 043
Budgetary reserve				
Funds allocated to reserve	—	—	- 950	—
Use of funds allocated to reserve				
Financing spending	—	—	—	280
Maintaining a balanced budget	—	—	—	670
Budgetary surplus after reserve	**126**	**7**	**427**	**0**
Non-budgetary transactions				
Investments, loans and advances	- 1 402	- 2 006	- 1 632	- 1 088
Capital expenditures	- 217	- 359	- 473	- 911
Retirement plans	1 020	1 740	1 793	2 042
Other accounts	996	1 328	- 631	- 698
Non-budgetary surplus (requirements)	**397**	**703**	**- 943**	**- 653**
Net financial surplus (requirements)	**523**	**710**	**- 516**	**- 655**
Financing transactions				
Change in cash position	- 1 983	2 253	- 473	578
Change in direct debt[2]	2 490	- 132	3 008	3 225
Retirement plans sinking fund[3]	- 1 030	- 2 831	- 2 019	- 3 148
Total financing of transactions	**- 523**	**- 710**	**516**	**655**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease. For purposes of comparison, the data are presented on the basis of the 2002-2003 budgetary and financial structure.

1 The preliminary results for 2001-2002 are based on actual data recorded from April 2001 to January 2002 and on an estimate, as at March 8, 2002 of the February and March results for which transactions will be posted to 2001-2002 transactions up to the closing of the books.

2 The change in direct debt includes new borrowings less repayment of borrowings.

3 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.12

GOUVERNEMENT DU QUÉBEC
BUDGETARY REVENUE
(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Own-source revenue				
Income and property taxes				
Personal income tax	15 400	16 074	17 107	15 722
Contributions to Health Services Fund	4 117	4 291	4 488	4 426
Corporate taxes[1]	3 406	3 643	4 217	4 015
	22 923	24 008	25 812	24 163
Consumption taxes				
Sales	6 426	6 761	7 374	7 630
Fuel	1 559	1 560	1 536	1 572
Tobacco	523	498	483	680
	8 508	8 819	9 393	9 882
Duties and permits				
Motor vehicles	664	667	646	663
Alcoholic beverages	135	139	146	152
Natural resources[2]	242	354	265	186
Other	168	182	180	163
	1 209	1 342	1 237	1 164
Miscellaneous				
Sales of goods and services	450	422	406	426
Interest	346	363	390	404
Fines, forfeitures and recoveries	402	345	310	348
	1 198	1 130	1 106	1 178
Revenue from government enterprises				
Société des alcools du Québec	408	442	471	490
Loto-Québec	1 167	1 289	1 358	1 354
Hydro-Québec	754	1 090	1 160	970
Other	802	1 106	507	- 179
	3 131	3 927	3 496	2 635
Consolidated organizations	1 680	1 850	1 851	1 784
Total own-source revenue	**38 649**	**41 076**	**42 895**	**40 806**
Federal transfers				
Programs				
Equalization	5 385	4 387	5 650	5 337
Canada Health and Social Transfer	1 697	1 120	1 597	2 993
Contributions to welfare programs	—	11	—	—
Other transfers related to fiscal arrangements	60	11	30	15
Other programs	671	535	618	518
Consolidated organizations	258	270	250	424
Total federal transfers	**8 071**	**6 334**	**8 145**	**9 287**
Total budgetary revenue	**46 720**	**47 410**	**51 040**	**50 093**

1 Including tax on corporate profits, tax on capital and tax on insurance company premiums, as well as tax on telecommunications, gas and electricity beginning in 2000-2001.
2 Including forest, mining and hydraulic resources.

TABLE 2.13

GOUVERNEMENT DU QUÉBEC
BUDGETARY EXPENDITURE
(in millions of dollars)

Departments and agencies	1998-1999	1999-2000	2000-2001	2001-2002
Operating expenditure				
Assemblée nationale	74	74	80	89
Personnes désignées par l'Assemblée nationale	94	41	42	50
Affaires municipales et Métropole	1 007	1 116	1 387	1 479
Agriculture, Pêcheries et Alimentation	531	514	714	641
Conseil du trésor, Administration et Fonction publique	412	372	435	438 [1]
Conseil exécutif	68	215	111	117
Culture et Communications	524	496	541	487
Education	9 580	9 825	10 130	10 540
Emploi et Solidarité sociale	4 158	4 064	4 095	4 056
Environnement	162	223	159	174
Famille, Enfance et Condition féminine	1 514	1 541	1 562	1 704
Faune et Parcs	111	80	148	121
Finances (excluding debt service)	354	303	419	490 [1]
Industrie et Commerce	130	155	277	209
Justice	486	459	468	511
Recherche, Science et Technologie	258	299	246	224
Régions	128	147	120	142
Relations avec les citoyens et Immigration	147	142	179	215
Relations internationales	88	98	104	109
Ressources naturelles	369	485	363	326
Revenu	845	721	715	627
Santé et Services sociaux	14 596	14 828	16 098	17 110
Sécurité publique	703	701	744	790
Tourisme, Loisir et Sport	121	173	151	157
Transports	1 507	1 578	1 507	1 364
Travail	72	81	79	77
Program spending	38 039	38 731	40 874	42 247
Consolidated organizations	1 368	1 300	1 183	1 424
Total operating expenditure	**39 407**	**40 031**	**42 057**	**43 671**
Debt service				
Consolidated Revenue Fund	6 574	6 751	6 972	6 732
Consolidated organizations	613	621	634	640
Total debt service	**7 187**	**7 372**	**7 606**	**7 372**
Total budgetary expenditure	**46 594**	**47 403**	**49 663**	**51 043**

1 The preliminary results for 2001-2002 contain provisions that allow appropriations to be transferred to other departments and agencies between the date the budget documents are produced and the end of the fiscal year.

TABLE 2.14

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Investments, loans and advances				
Consolidated Revenue Fund				
GOVERNMENT ENTERPRISES				
SHARES AND INVESTMENTS:				
Société générale de financement du Québec	- 40	- 150	- 350	- 550
Société Innovatech du Grand Montréal	- 101	- 35	- 42	- 20
Société Innovatech Québec et Chaudière-Appalaches	- 31	- 9	- 11	- 29
Société Innovatech Sud du Québec	- 7	- 4	- 6	- 22
Société Innovatech Régions ressources	—	- 8	- 13	- 15
Other	- 5	- 1	- 3	- 23
	- 184	- 207	- 425	- 659
CHANGE IN THE EQUITY VALUE OF INVESTMENTS	- 1 282	- 1 782	- 1 157	- 260
LOANS AND ADVANCES:				
Société générale de financement du Québec	—	14	—	—
Société Innovatech du Grand Montréal	62	—	—	—
Société Innovatech Québec et Chaudière-Appalaches	21	—	—	—
Société Innovatech Sud du Québec	3	—	—	—
Other	—	10	—	—
	86	24	—	—
Total government enterprises	- 1 380	- 1 965	- 1 582	- 919
INDIVIDUALS, CORPORATIONS AND OTHERS	- 119	- 53	- 20	- 408
MUNICIPALITIES AND MUNICIPAL BODIES	3	6	1	2
	- 1 496	- 2 012	- 1 601	- 1 325
Consolidated organizations	94	6	- 31	237
Total investments, loans and advances	**- 1 402**	**- 2 006**	**- 1 632**	**- 1 088**
Capital expenditures				
Consolidated Revenue Fund				
Net investments	- 69	- 85	- 144	- 195
Amortization	372	354	334	196
	303	269	190	1
Consolidated organizations	- 520	- 628	- 663	- 912
Total capital expenditures	**- 217**	**- 359**	**- 473**	**- 911**

TABLE 2.14 (CONT.)

GOUVERNEMENT DU QUÉBEC
NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Retirement plans				
CONTRIBUTIONS BY THE GOVERNMENT				
Contributions by the government as employer:				
RREGOP:				
Annual cost of constituted benefits[1]	693	754	990	959
Amortization of actuarial gain (-) or loss	66	77	66	131
Cost of changes to plan	—	44	—	—
Other plans:				
Annual cost of constituted benefits[1]	147	140	166	150
Amortization of actuarial gain (-) or loss	—	62	26	62
Cost of changes to plans	24	—	—	33
Total government contribution	930	1 077	1 248	1 335
Contributions by independent employers	8	24	—	8
Participants' contributions	206	124	106	122
Total contributions	214	148	106	130
Benefits, repayments and administrative expenses	- 2 624	- 2 336	- 2 567	- 2 768
Interest on retirement plans liability charged to debt service[2]	2 500	2 851	3 006	3 345
Total retirement plans	**1 020**	**1 740**	**1 793**	**2 042**
Other accounts				
Consolidated Revenue Fund	909	1 021	- 490	- 574
Consolidated organizations	87	307	- 141	- 124
Total other accounts	**996**	**1 328**	**- 631**	**- 698**
Total non-budgetary transactions	**397**	**703**	**- 943**	**- 655**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

1 Cost of retirement benefits constituted during the fiscal year, calculated according to the accounting method that consists in distributing benefits in proportion to years of service.
2 Excluding revenue generated by the retirement plans sinking fund.

TABLE 2.15

GOUVERNEMENT DU QUÉBEC
FINANCING TRANSACTIONS
(in millions of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002
Change in cash position				
Consolidated Revenue Fund	- 2 831	2 325	- 969	299
Consolidated organizations	848	- 72	496	279
Total change in cash position	**- 1 983**	**2 253**	**- 473**	**578**
Change in direct debt				
Consolidated Revenue Fund				
New borrowings	9 355	5 189	7 569	7 703
Repayment of borrowings	- 6 399	- 5 509	- 4 616	- 4 854
	2 956	- 320	2 953	2 849
Consolidated organizations				
New borrowings	296	891	1 025	1 238
Repayment of borrowings	- 762	- 703	- 970	- 862
	- 466	188	55	376
Total change in direct debt	**2 490**	**- 132**	**3 008**	**3 225**
Retirement plans sinking fund[1]	**- 1 030**	**- 2 831**	**- 2 019**	**- 3 148**
Total financing of transactions	**- 523**	**- 710**	**516**	**655**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

1 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The income from this fund is accumulated in it and is subtracted from the interest expenditure recorded with regard to the retirement plans liability.

TABLE 2.16

BORROWINGS FOR THE CONSOLIDATED REVENUE FUND IN 2001-2002

Amount in Canadian dollars [1]	Face value in foreign currency	Interest rate [2]	Date of issue	Date of maturity	Price to investor	Yield to investor [3]
(in millions)		%			$	%
1 158	US$743 [4]	5.50	April 11	2006-04-11	99.763	5.555
625	¥50 000	1.60	May 9	2013-05-09	99.138	1.679
372	—	6.25	June 4	2032-06-01	93.111	6.785
1 944	€1 500	5.63 [5]	June 21	2011-06-21	99.440	5.700
516	—	6.50	July 31	2005-12-01	103.149	5.668
509	—	6.25	August 31	2010-12-01	101.872	5.982
491	—	6.25	November 22	2032-06-01	98.247	6.381
497	—	6.25	January 15	2032-06-01	99.425	6.292
40 [6]	—	Various	Various	Various	Various	Various
656 [7]	—	Various	Various	Various	Various	Various
191 [8]	—	Various	Various	Various	Various	Various
525 [9]	—	Various	Various	Various	Various	Various
7 [10]	—	Various	Various	Various	Various	Various
140 [11]	—	Various	Various	Various	Various	Various
32 [12]	Various	Various	Various	Various	Various	Various
Total	**7 703**					

1 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
2 Interest payable semi-annually except if another frequency is indicated in a note.
3 Yield to investor is determined on the basis of interest payable semi-annually.
4 The original borrowing totalled US$1 billion, or CAN$1 558 million. An amount of CAN$400 million derived from this borrowing was advanced to the Financing Fund in order to be loaned to consolidated organizations.
5 Interest payable annually.
6 Real return bonds. The principal and the interest rate of these bonds are adjusted according to the change in the Consumer Price Index in Canada.
7 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.
8 Medium-term notes on the Canadian market.
9 Savings products issued by Placements Québec.
10 Borrowings from the Canada Pension Plan Investment Fund.
11 Immigrant Investor Program.
12 Amount received under interest rate and currency swap agreements.

TABLE 2.17

BORROWINGS FOR THE FINANCING FUND IN 2001-2002

	Amount in Canadian dollars [1]	Face value in foreign currency	Interest rate [2]	Date of issue	Date of maturity	Price to investor	Yield to investor [3]
	(in millions)		%			$	%
A. Borrowings for consolidated organizations							
	400 [4]	—	5.67	April 11	2006-04-11	100.000	5.673
	160 [5]	—	6.25	September 26	2010-12-01	102.031	5.958
	10 [5]	—	6.50	September 26	2005-12-01	106.513	4.761
	145 [5]	—	6.25	October 10	2010-12-01	102.973	5.825
	122 [5]	—	6.25	October 16	2010-12-01	102.098	5.948
	4 [5]	—	7.75	October 26	2006-03-30	112.281	4.648
	90 [5]	—	6.25	October 26	2010-12-01	102.749	5.855
	36 [5]	—	6.25	November 6	2010-12-01	105.938	5.412
	56 [5]	—	6.25	November 14	2010-12-01	106.223	5.372
	37 [5]	—	6.25	November 22	2010-12-01	102.659	5.866
	68 [5]	—	6.25	December 13	2010-12-01	101.331	6.055
	110 [6]	—	Various	February 4	2009-02-04	100.000	Various
Sub-total	**1 238**						
B. Borrowings for non-consolidated organizations							
	26 [5]	—	6.25	October 10	2010-12-01	102.973	5.825
	17 [5]	—	7.75	October 26	2006-03-30	112.281	4.648
	229 [5]	—	6.25	December 20	2032-06-01	96.388	6.524
Sub-total	**272**						
Total	**1 510**						

1 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
2 Interest payable semi-annually except if another frequency is indicated in a note.
3 Yield to investor is determined on the basis of interest payable semi-annually.
4 Amount derived from the borrowing of US$1 billion (CAN$1 558 million) contracted by the Consolidated Revenue Fund.
5 Borrowings fully subscribed by the Caisse de dépôt et placement du Québec.
6 Medium-term note on the European market.

TABLE 2.18

BORROWINGS BY FINANCEMENT-QUÉBEC IN 2001-2002

	Amount in Canadian dollars [1]	Face value in foreign currency	Interest rate [2]	Date of issue	Date of maturity	Price to investor	Yield to investor [3]
	(in millions)		%			$	%
	49	—	5.75	April 9	2008-12-01	98.613	5.977
	10	—	5.75	April 9	2008-12-01	98.765	5.952
	35	—	5.75	April 9	2008-12-01	98.916	5.927
	5	—	5.75	April 10	2008-12-01	99.067	5.902
	5	—	5.75	April 12	2008-12-01	99.014	5.911
	513	—	6.30	May 14	2006-06-01	102.540	5.713
	490	€350	Various [4]	December 3	2008-12-03	99.688	Various
Borrowings contracted [5]	**1 107**						
Borrowings to be contracted	**293**						
Financing program	**1 400**						

1 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
2 Interest payable semi-annually except if another frequency is indicated in a note.
3 Yield to investor is determined on the basis of interest payable semi-annually.
4 Interest payable quarterly.
5 Borrowings contracted as at March 8, 2002.

TABLE 2.19

BORROWINGS BY HYDRO-QUÉBEC IN 2001[1]

Amount in Canadian dollars [2]	Face value in foreign currency	Interest rate [3]	Date of issue	Date of maturity	Price to investor	Yield to investor [4]
(in millions)		%			$	%
518	—	6.50	January 19	2011-02-15	103.542	6.025
1 149 [5]	US$750	6.30	May 11	2011-05-11	99.831	6.323
1 671 [6]	—	Various	Various	Various	Various	Various
25 [7]	Various	Various	Various	Various	Various	Various
Total **3 363**						

Note: Hydro-Québec has credit agreements with various banks and financial institutions for a total of US$1 500 million. None of the credit agreements was being drawn upon at December 31, 2001.

1 Borrowings contracted as at December 31, 2001.
2 Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.
3 Interest payable semi-annually except if another frequency is indicated in a note.
4 Yield to investor is determined on the basis of interest payable semi-annually.
5 Borrowing on the world market.
6 Medium-term notes on the Canadian market.
7 Amount received under interest rate and currency swap agreements.

Section 2

Appendix 2.1

Results of consolidated organizations

Results of consolidated organizations

Revenue from consolidated organizations totals $2 208 million, an increase of $124 million compared with the Budget Speech of last November. Expenditure totals $2 064 million, an increase of $100 million.

Net results for consolidated organizations show a surplus of $144 million, $24 million more than forecast in the Budget Speech of November 2001.

TABLE 2.1.1

CHANGE IN THE NET RESULTS OF CONSOLIDATED ORGANIZATIONS[1]
(in millions of dollars)

	2000-2001	2001-2002		
	Actual results	**Budget Speech 2001-11-01**	**Preliminary results**	**Change compared with Budget**
Own-source revenue	1 851	1 662	1 784	122
Federal transfers	250	422	424	2
Total revenue	**2 101**	**2 084**	**2 208**	**124**
Operating expenditure	– 1 183	– 1 297	– 1 424	– 127
Debt service	– 634	– 667	– 640	27
Total expenditure	**– 1 817**	**– 1 964**	**– 2 064**	**– 100**
Net results	**284**	**120**	**144**	**24**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

1 The data in this table exclude transactions carried out with other entities in the government's reporting entity.

Section 3

The Government's Budgetary and Financial Stance

A balanced budget maintained despite the substantial reduction in federal transfers 3

The government's financial position 5

Government revenue 8

Government expenditure 15

Appendix

3.1 Additional information on the government's financial position 17

This section of the Supplement to the 2002-2003 Budget indicates the Québec government's budgetary and financial stance. It presents revenue, expenditure, budget balance, and net financial requirements or surplus forecasts in light of the economic assumptions adopted and the fiscal and budgetary policies announced in the Supplement.

A balanced budget maintained despite the substantial reduction in federal transfers

Despite the downward revision of transfers from the federal government, the Québec government will achieve a balanced budget again in 2001-2002 and subsequent years, in accordance with the *Balanced Budget Act*. The major adjustments to federal transfers are offset by higher-than-anticipated tax revenue since the beginning of the year.

TABLE 3.1

SUMMARY OF CONSOLIDATED FINANCIAL TRANSACTIONS[1]
(in millions of dollars)

	1999-2000	2000-2001	2001-2002[P]	2002-2003[P]	2003-2004[P]
Budgetary transactions					
Own-source revenue	41 076	42 895	40 806	43 065	45 231
Federal transfers	6 334	8 145	9 287	8 842	8 074
Total revenue	47 410	51 040	50 093	51 907	53 305
Operating expenditure	– 40 031	– 42 057	– 43 671	– 44 713	– 45 699
Debt service	– 7 372	– 7 606	– 7 372	– 7 194	– 7 606
Total expenditure	– 47 403	– 49 663	– 51 043	– 51 907	– 53 305
Budgetary reserve					
Funds allocated to reserve	—	– 950	—	—	—
Use of funds allocated to reserve					
– Financing spending	—	—	280	—	—
– Maintaining a balanced budget	—	—	670	—	—
Budgetary surplus after reserve	**7**	**427**	**0**	**0**	**0**
Net financial surplus (requirements)					
Consolidated Revenue Fund	826	35	0	500	500
Consolidated organizations	– 116	– 551	– 655	– 1 372	– 1 205
Total	**710**	**– 516**	**– 655**	**– 872**	**– 705**

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.
P: Preliminary results for 2001-2002 and forecasts for subsequent years.
1 Based on the budgetary and financial structure in effect in 2002-2003.

The spending objectives set in the 2001-2002 Budget are maintained for fiscal 2001-2002 and 2002-2003. The funds allocated to the budgetary reserve in 2000-2001 will be used as stipulated in the Budget of last November.

Total net financial requirements will be $655 million in 2001-2002, $872 million in 2002-2003 and $705 million in 2003-2004.

No net financial requirements are forecast, however, for the Consolidated Revenue Fund for fiscal 2001-2002. Net financial surpluses of $500 million are anticipated for 2002-2003 and 2003-2004.

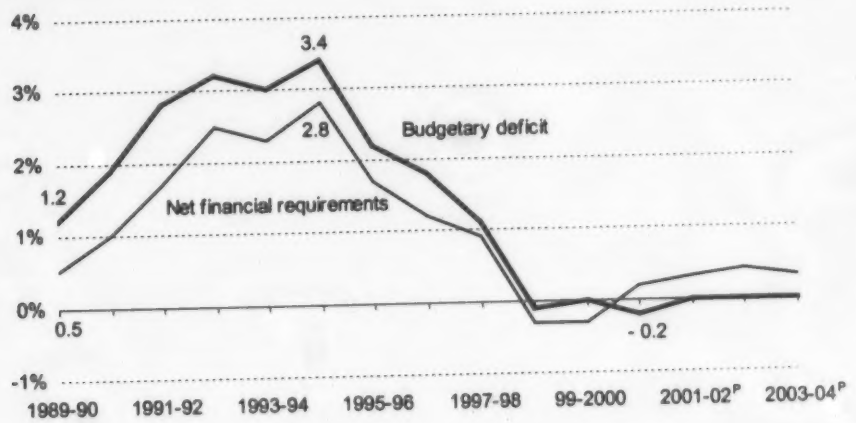
The net financial requirements of consolidated organizations will amount to $655 million in 2001-2002, $1 372 million in 2002-2003 and $1 205 million in 2003-2004. These requirements stem primarily from the marked increases in the investments of the Fonds de conservation et d'amélioration du réseau routier announced in the 2001-2002 Budget and in the public-sector investment acceleration plan.

The government's financial position

The government's financial position has improved considerably in recent years. While the budgetary deficit accounted for 3.4% of gross domestic product in 1994-1995, it was eliminated in just four years, and surpluses were recorded from 1998-1999 to 2000-2001. The government will achieve a balanced budget again in 2001-2002 and subsequent years.

GRAPH 3.1

BUDGETARY DEFICIT AND NET FINANCIAL REQIUREMENTS
(as a percentage of GDP)



P: Preliminary results for 2001-2002 and forecasts for subsequent years.

The indebtedness rate continues to decline

The debt representing accumulated deficits is the indicator used by the government to show the change in its financial position. As at March 31, 2001, this debt totalled $81 992 million, and it will remain stable throughout the forecast period.

TABLE 3.2

CHANGE IN THE DEBT REPRESENTING ACCUMULATED DEFICITS
(in millions of dollars)

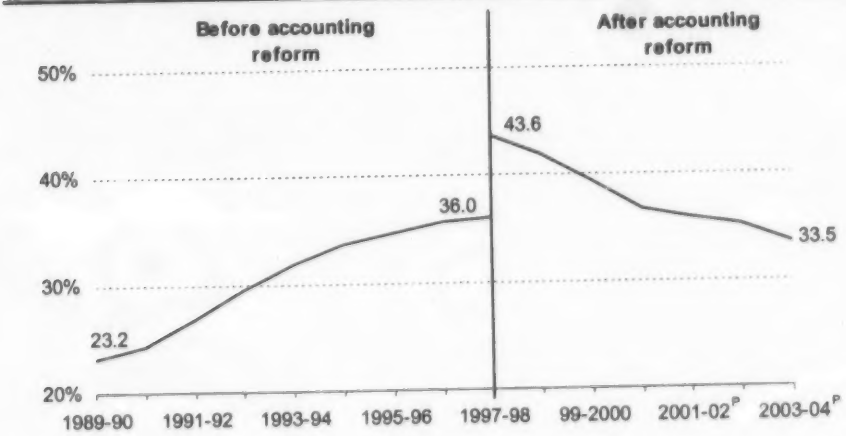
	2001-2002[P]	2002-2003[P]	2003-2004[P]
Opening balance	**81 992**[1]	**81 992**	**81 992**
Less:			
Budgetary surplus after reserve	*0*	*0*	*0*
Closing balance	**81 992**	**81 992**	**81 992**

P: Preliminary results for 2001-2002 and forecasts for subsequent years.
1 Including $950 million placed in reserve.

As a proportion of GDP, the debt representing accumulated deficits will continue to decrease because of the maintenance of a balanced budget. It will reach 33.5% as at March 31, 2004, which corresponds to a drop of over 23% in the indebtedness rate in six years.

GRAPH 3.2

DEBT REPRESENTING ACCUMULATED DEFICITS
(as a percentage of GDP)



P: Preliminary results for 2001-2002 and forecasts for subsequent years.

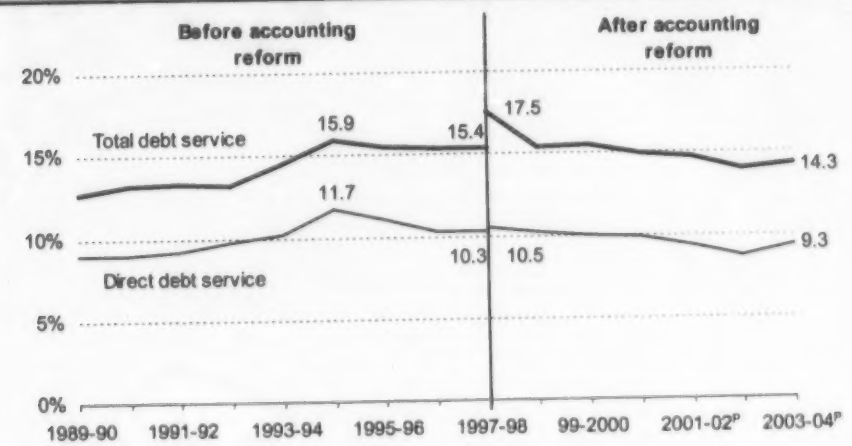
The government devotes an increasingly smaller share of its revenue to paying interest on the debt

The portion of budgetary revenue allocated to the direct debt service of the Consolidated Revenue Fund and consolidated organizations will amount to 9.3% in 2003-2004.

As for the portion of budgetary revenue allocated to total debt service, which also includes the interest on the net retirement plans liability and the debt service of consolidated organizations, it should amount to 14.3% in 2003-2004, compared with 17.5% in 1997-1998.

GRAPH 3.3

DEBT SERVICE
(as a percentage of budgetary revenue)



P: Preliminary results for 2001-2002 and forecasts for subsequent years.

Government revenue

Budgetary revenue

The government's budgetary revenue should total $51 907 million in 2002-2003, i.e. $43 065 million in own-source revenue and $8 842 million in federal transfers. After falling by 1.9% in 2001-2002, budgetary revenue should grow by 3.6% in 2002-2003 and 2.8% in 2003-2004.

TABLE 3.3

CHANGE IN BUDGETARY REVENUE
(in millions of dollars)

	1999-2000	2000-2001	2001-2002[P]	2002-2003[P]	2003-2004[P]
Own-source revenue	41 076	42 895	40 806	43 065	45 231
% change	6.3	4.4	-4.9	5.5	5.0
Federal transfers	6 334	8 145	9 287	8 842	8 074
% change	-21.5	28.6	14.0	-4.8	-8.7
Budgetary revenue	**47 410**	**51 040**	**50 093**	**51 907**	**53 305**
% change	1.5	7.7	-1.9	3.6	2.8
Nominal GDP growth rate in %[1]	6.0	6.7	2.4	1.9	4.8
Inflation rate in Canada in %[1]	1.7	2.7	2.6	1.1	2.0

P: Preliminary results for 2001-2002 and forecasts for subsequent years.
1 For the calendar year ending three months before the end of the fiscal year.

Own-source revenue

Own-source revenue should decline by 4.9% in 2001-2002 compared with the preceding year, the most substantial decreases being recorded with regard to personal income tax, corporate tax and revenue from government enterprises. In 2002-2003 and 2003-2004, own-source revenue should grow by 5.5% and 5% respectively, with each source, notably government enterprises, contributing to the increase.

TABLE 3.4

CHANGE IN OWN-SOURCE REVENUE BY SOURCE
(in millions of dollars)

	2001-2002[P]	2002-2003[P]	2003-2004[P]
Personal income tax	15 722	16 342	17 314
% change	– 8.1	3.9	5.9
Health Services Fund	4 426	4 594	4 781
% change	– 1.4	3.8	4.1
Corporate taxes	4 015	4 350	4 341
% change	– 4.8	8.3	– 0.2
Consumption taxes	9 882	10 290	10 718
% change	5.2	4.1	4.2
Other revenue	2 342	2 389	2 468
% change	0.0	2.0	3.3
Sub-total excluding government enterprises and consolidated organizations	**36 387**	**37 965**	**39 622**
% change	– 3.1	4.3	4.4
Government enterprises	2 635	3 215	3 597
% change	– 24.6	22.0	11.9
Consolidated organizations	1 784	1 885	2 012
% change	– 3.6	5.7	6.7
Own-source revenue	**40 806**	**43 065**	**45 231**
% change	– 4.9	5.5	5.0

P: Preliminary results for 2001-2002 and forecasts for subsequent years.

With regard to the change in revenue by source:

— Personal income tax, the main source of government revenue, should decrease by 8.1% in 2001-2002, to $15.7 billion. During this fiscal year, the impact of the tax reductions announced in recent budgets will exceed the increase in tax revenue arising from the growth in income subject to tax. In 2002-2003, growth will be limited to 3.9% as the full impact of these tax reductions is felt. In 2003-2004, the growth rate will reach 5.9%, which, given the progressive nature of the taxation system, is compatible with the increase in income subject to tax;

— Health Services Fund contributions should amount to $4.4 billion in 2001-2002, slightly less than the preceding year. The increase stemming from the growth in wages and salaries is entirely offset by the impact of the tax holiday granted in the 2001-2002 Budget to manufacturing enterprises in resource regions and to the reduction in the contribution rate of small and medium-sized enterprises effective since January 1, 2001. This reduction is the last of the gradual reductions introduced as part of the corporate taxation reform announced in the 1998-1999 Budget. By the end of the reductions, the growth rate of this revenue should be comparable to that of wages and salaries over a fiscal year, i.e. 3.8% in 2002-2003 and 4.1% in 2003-2004;

— The 4.8% decrease in revenue expected from corporate taxes in 2001-2002 is due to the anticipated decline in corporate profits and the measure announced in the 2002-2003 Budget to improve the liquidity of small and medium-sized enterprises. Such enterprises were able to defer for six months the instalments of income tax and tax on capital that they were supposed to pay in the last quarter of 2001, thereby reducing revenue for 2001-2002 but increasing it accordingly in 2002-2003, which explains the anticipated increase of 8.3% in the course of this year. The non-recurrence of these amounts in 2003-2004 will reduce the growth in revenue and thus cancel out the positive effects of the increase in corporate profits in 2003;

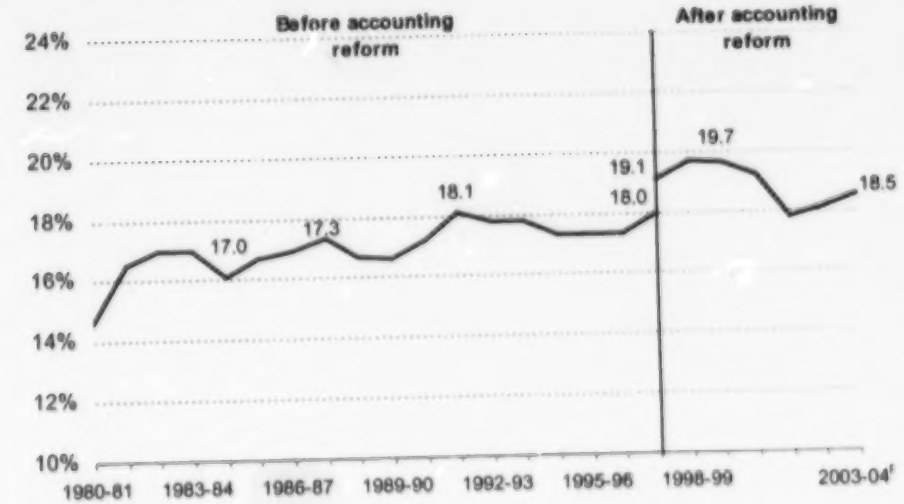
— Consumption tax revenue should rise by 5.2% in 2001-2002, reflecting, among other things, the tobacco tax increase that took effect last April 5 and the tobacco tax increase announced in last November's Budget. The anticipated growth rate of 4.1% in 2002-2003 is comparable to that of household consumption when the full impact of the additional increase in the tobacco tax is taken into account. In 2003-2004, consumption tax revenue will grow at the same rate as household consumption, i.e. 4.2%;

— Revenue from government enterprises should increase by 22% in 2002-2003 and 11.9% in 2003-2004 because of the improvement in the financial situation of government corporations as a whole.

Own-source revenue as a proportion of gross domestic product, including consolidated organizations, peaked at 19.7% in 1999-2000. Given the tax reductions announced, the ratio should decline to 18.5% in 2003-2004.

GRAPH 3.4

CHANGE IN OWN-SOURCE REVENUE
(as a percentage of GDP)



F: Forecast.

Federal transfers

After growing by 14% in 2001-2002, mainly because of the withdrawal of $1 004 million from the Canada Health and Social Transfer (CHST) trust accounts, federal transfers will decline by 4.8% in 2002-2003. The amounts received in respect of the CHST will decrease substantially given that the expiry of two of the three trust accounts established by the federal government more than offsets the additional transfers the latter granted in September 2000.

In 2003-2004, federal transfers should decline by 8.7% compared with 2002-2003. This decrease is explained by the fact that the trust account withdrawals will come to an end, while the effects of the change made by the federal government to the method for estimating the property tax base will begin to be felt. Equalization revenue for 2002-2003 includes a shortfall of $185 million in this regard. Moreover, even if the shortfall for 2001-2002 and 2002-2003 is averaged over five years, Québec will still be deprived of an additional $131 million this year and in each of the four subsequent years. This change is explained in detail in the paper *Federal Transfer Payment Update*.

As for the revenue of consolidated organizations, it will decline slightly over the forecast period. This is ascribed mainly to a one-time payment made to La Financière agricole du Québec by the federal government in 2001-2002.

The following table shows the change in federal transfers before and after deferral and spreading of the impacts of the change to the property tax base estimation method.

TABLE 3.5

CHANGE IN FEDERAL TRANSFER REVENUE
(in millions of dollars)

	2001-2002[P]	2002-2003[P]	2003-2004[P]
Consolidated Revenue Fund	8 393	8 279	7 821
% change	6.3	– 1.4	– 5.5
Consolidated organizations	424	378	384
Sub-total	**8 817**	**8 657**	**8 205**
% change	8.3	– 1.8	– 5.2
Federal decision regarding property taxes			
– Deferral of impacts	470	185	– 655
– Averaging of impacts	—	—	524[1]
Sub-total	**470**	**185**	**– 131**
Total	**9 287**	**8 842**	**8 074**
% change	14.0	– 4.8	– 8.7

P: Preliminary results for 2001-2002 and forecasts for subsequent years.
1 Short-term savings leading to an annual shortfall of $131 million for each of the four subsequent years.

CHST trust accounts

Since 1999, the federal government has created three CHST trust accounts. The amount allocated to Québec in the three trust accounts totalled $1 675 million.

The financial plan of this Supplement to the 2002-2003 Budget renews the withdrawals provided for in Québec's November 2001 Budget Speech.

The Québec government withdrew $420 million from the trust accounts in 2000-2001 and plans to withdraw $1 004 million in 2001-2002 and $251 million in 2002-2003.

TABLE 3.6

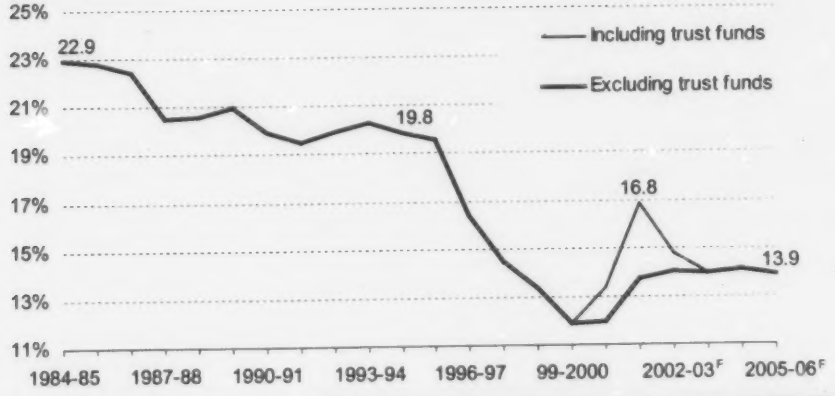
WITHDRAWALS FROM THE CHST TRUST ACCOUNTS
(in millions of dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	Total
❑ 1999-2000 allotment	420	420	—	—	840
❑ 2000-2001 allotment	—	345	251	—	596
❑ Federal announcement of September 2000	—	239	—	—	239
Total	**420**	**1 004**	**251**	—	**1 675**

However, it should be noted that despite the trust accounts and the additional CHST transfers granted in September 2000, the federal contribution to Québec's health, education and income security programs will pursue the downward trend observed since the mid 1980s. While federal funding was equal to 22.9% of Québec's spending for these programs in 1984-1985, it will account for barely 13.9% from 2001-2002 to 2005-2006.

GRAPH 3.5

FEDERAL CHST TRANSFERS TO QUÉBEC[1]
(as a percentage of Québec's social spending[2])



F: Forecast.
1 Including the value of the special Québec abatement.
2 Health, education and income security spending.

Government expenditure

The government's budgetary expenditure should total $51 907 million in 2002-2003. Operating expenditure will amount to $44 713 million, while debt service will total $7 194 million.

Operating expenditure includes the program spending of government departments and the expenditures of consolidated organizations. Similarly, debt service includes the debt service of the Consolidated Revenue Fund and that of consolidated organizations.

TABLE 3.7

CHANGE IN BUDGETARY EXPENDITURE[1]
(in millions of dollars)

	1999-2000	2000-2001	2001-2002[P]	2002-2003[P]	2003-2004[P]
Operating expenditure					
❑ Program spending excluding use of budgetary reserve	– 38 731	– 40 874	– 41 967	– 43 223	– 44 265
% change	1.8	5.5	2.7	3.0	2.4
Spending financed by budgetary reserve	—	—	– 280	—	—
❑ Program spending	– 38 731	– 40 874	– 42 247	– 43 223	– 44 265
% change	1.8	5.5	3.4	2.3	2.4
❑ Consolidated organizations	– 1 300	– 1 183	– 1 424	– 1 490	– 1 434
Total operating expenditure	**– 40 031**	**– 42 057**	**– 43 671**	**– 44 713**	**– 45 699**
% change	1.6	5.1	3.8	2.4	2.2
Debt service					
❑ Consolidated Revenue Fund	– 6 751	– 6 972	– 6 732	– 6 497	– 6 876
% change	2.7	3.3	– 3.4	– 3.5	5.8
❑ Consolidated organizations	– 621	– 634	– 640	– 697	– 730
Total debt service	**– 7 372**	**– 7 606**	**– 7 372**	**– 7 194**	**– 7 606**
% change	2.6	3.2	– 3.1	– 2.4	5.7
Budgetary expenditure	**– 47 403**	**– 49 663**	**– 51 043**	**– 51 907**	**– 53 305**
% change	1.7	4.8	2.8	1.7	2.7
Nominal GDP growth rate in %[2]	6.0	6.7	2.4	1.9	4.8
Inflation rate in Canada in %[2]	1.7	2.7	2.6	1.1	2.0

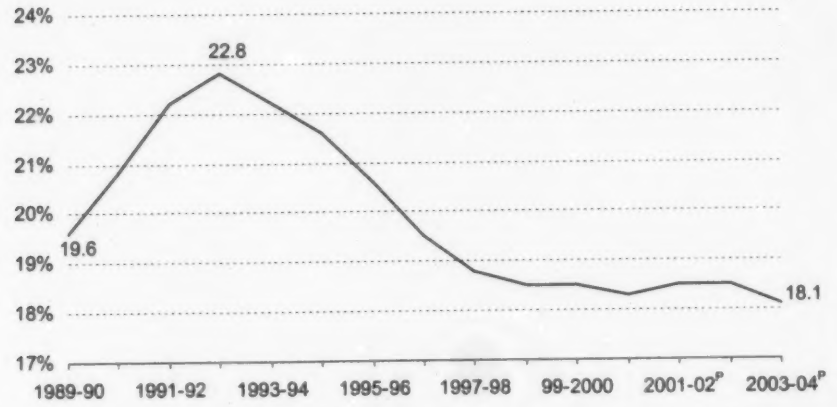
P: Preliminary results for 2001-2002 and forecasts for subsequent years.
1 Based on the budgetary and financial structure in effect in 2002-2003.
2 For the calendar year ending three months before the end of the fiscal year.

In 2003-2004, program spending will increase at a rate of 2.4%, which is in keeping with the government's objective of maintaining a balanced budget.

The ratio of the government's program spending to GDP should continue to fall, to 18.1% in 2003-2004, the lowest level in at least 30 years.

GRAPH 3.6

PROGRAM SPENDING[1]
(as a percentage of GDP)



P: Preliminary results for 2001-2002 and forecasts for subsequent years.
1 Excluding the extraordinary expenditure of $1 377 million in 1998-1999 to implement the consolidation and financial restructuring plan for health and social services network institutions and to improve the financial situation of universities.

Section 3

Appendix 3.1

Additional information on the government's financial position

TABLE 3.1.1

GOUVERNEMENT DU QUÉBEC
SUMMARY OF FINANCIAL TRANSACTIONS[1]
(in millions of dollars)

	Budgetary transactions							
	Own-source revenue	Federal transfers	Budgetary revenue	Operating expenditure	Debt service	Budgetary expenditure	Budgetary reserve	Surplus (deficit) after reserve
Before reform of government accounting								
1970-1971	2 747	1 095	3 842	– 3 790	– 197	– 3 987		– 145
1971-1972	3 183	1 294	4 477	– 4 622	– 210	– 4 832		– 355
1972-1973	3 743	1 262	5 005	– 5 110	– 242	– 5 352		– 347
1973-1974	4 368	1 377	5 745	– 6 116	– 288	– 6 404		– 659
1974-1975	5 364	1 872	7 236	– 7 382	– 296	– 7 678		– 442
1975-1976	6 105	2 224	8 329	– 8 912	– 368	– 9 280		– 951
1976-1977	7 126	2 523	9 649	– 10 369	– 456	– 10 825		– 1 176
1977-1978	8 006	3 090	11 096	– 11 194	– 606	– 11 800		– 704
1978-1979	8 527	3 271	11 798	– 12 479	– 817	– 13 296		– 1 498
1979-1980	9 464	3 757	13 221	– 14 651	– 970	– 15 621		– 2 400
1980-1981	10 763	3 899	14 662	– 16 761	– 1 382	– 18 143		– 3 481
1981-1982	13 460	4 479	17 939	– 18 610	– 1 950	– 20 560		– 2 621
1982-1983	14 725	5 178	19 903	– 20 066	– 2 300	– 22 366		– 2 463
1983-1984	15 738	6 235	21 973	– 21 626	– 2 511	– 24 137		– 2 164
1984-1985	16 182	6 247	22 429	– 23 290	– 3 012	– 26 302		– 3 873
1985-1986	18 129	6 178	24 307	– 24 426	– 3 354	– 27 780		– 3 473
1986-1987	19 919	5 828	25 747	– 25 163	– 3 556	– 28 719		– 2 972
1987-1988	22 366	6 117	28 483	– 27 204	– 3 675	– 30 879		– 2 396
1988-1989	23 771	6 388	30 159	– 28 061	– 3 802	– 31 863		– 1 704
1989-1990	24 843	6 675	31 518	– 29 267	– 4 015	– 33 282		– 1 764
1990-1991	26 630	6 974	33 604	– 32 142	– 4 437	– 36 579		– 2 975
1991-1992	28 328	6 749	35 077	– 34 712	– 4 666	– 39 378		– 4 301
1992-1993	28 237	7 764	36 001	– 36 275	– 4 756	– 41 031		– 5 030
1993-1994	28 899	7 762	36 661	– 36 268	– 5 316	– 41 584		– 4 923
1994-1995	29 543	7 494	37 037	– 36 977	– 5 881	– 42 858		– 5 821
1995-1996	30 737	8 126	38 863	– 36 776	– 6 034	– 42 810		– 3 947
1996-1997	31 266	6 704	37 970	– 35 327	– 5 855	– 41 182		– 3 212
After reform of government accounting								
1997-1998	35 855	6 005	41 860	– 36 674	– 7 343	– 44 017		– 2 157
1998-1999	38 649	8 071	46 720	– 39 407	– 7 187	– 46 594		126
1999-2000	41 076	6 334	47 410	– 40 031	– 7 372	– 47 403		7
2000-2001	42 895	8 145	51 040	– 42 057	– 7 606	– 49 663	– 950	427
2001-2002[P]	40 806	9 287	50 093	– 43 671	– 7 372	– 51 043	950	0

P: Preliminary results.
1 A negative entry indicates a financial requirement and a positive entry, a source of financing.

Non-budgetary transactions					
Investments, loans and advances	Capital expenditures	Retirement plans	Other accounts	Excess amount (shortfall)	Net financial surplus (requirements)
– 73		2	26	– 45	– 190
– 63		1	113	51	– 304
– 53		– 1	18	– 36	– 383
– 122		25	459	362	– 297
– 146		104	319	277	– 165
– 186		109	622	545	– 406
– 183		187	– 161	– 157	– 1 333
– 229		265	– 488	– 452	– 1 156
– 189		316	119	246	– 1 252
– 188		683	551	1 046	– 1 354
– 56		822	416	1 182	– 2 299
– 586		1 007	71	492	– 2 129
– 761		1 051	– 40	250	– 2 213
– 672		1 057	– 436	– 51	– 2 215
– 167		1 183	887	1 903	– 1 970
40		1 269	493	1 802	– 1 671
– 380		1 355	260	1 235	– 1 737
– 680		2 203	– 493	1 030	– 1 366
– 670		1 634	– 265	699	– 1 005
– 516		1 164	300	948	– 816
– 458		1 874	77	1 493	– 1 482
– 411		1 916	141	1 646	– 2 655
– 490		1 525	82	1 117	– 3 913
– 623		1 668	52	1 097	– 3 826
– 1 142		1 509	578	945	– 4 876
– 287		1 701	– 415	999	– 2 948
– 792		1 928	– 60	1 076	– 2 136
– 1 315	– 209	1 888	109	473	– 1 684
– 1 402	– 217	1 020	996	397	523
– 2 006	– 359	1 740	1 328	703	710
– 1 632	– 473	1 793	– 631	– 943	– 516
– 1 088	– 911	2 042	– 698	– 655	– 655

TABLE 3.1.2

GOUVERNEMENT DU QUÉBEC
DEBT AT THE END OF THE FISCAL YEAR

	Total debt					
	Direct debt[1]		Net retirement plans liability[2]		Total	
	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP
Before reform of government accounting						
1970-1971	2 478	10.9			2 478	10.9
1971-1972	2 920	11.9			2 920	11.9
1972-1973	3 309	12.0			3 309	12.0
1973-1974	3 679	11.8			3 679	11.8
1974-1975	4 030	11.0	67	0.2	4 097	11.1
1975-1976	4 955	12.0	179	0.4	5 134	12.4
1976-1977	6 035	12.5	354	0.7	6 389	13.2
1977-1978	7 111	13.5	620	1.2	7 731	14.6
1978-1979	8 325	14.2	915	1.6	9 240	15.7
1979-1980	9 472	14.4	1 598	2.4	11 070	16.9
1980-1981	12 247	16.8	2 420	3.3	14 667	20.1
1981-1982	14 184	17.5	3 428	4.2	17 612	21.7
1982-1983	16 485	19.2	4 489	5.3	20 974	24.5
1983-1984	18 880	20.4	5 545	6.0	24 425	26.4
1984-1985	21 216	21.0	6 729	6.7	27 945	27.7
1985-1986	23 633	21.9	7 998	7.4	31 631	29.3
1986-1987	25 606	21.8	9 353	7.9	34 959	29.7
1987-1988	26 819	20.8	10 883	8.4	37 702	29.2
1988-1989	27 091	19.2	12 597	8.9	39 688	28.0
1989-1990	27 699	18.6	14 320	9.6	42 019	28.2
1990-1991	29 637	19.3	16 227	10.5	45 864	29.8
1991-1992	33 106	21.2	18 143	11.6	51 249	32.8
1992-1993	39 231	24.7	19 668	12.3	58 899	37.0
1993-1994	45 160	27.6	20 483	12.6	65 643	40.2
1994-1995	52 468	30.6	21 997	12.8	74 465	43.4
1995-1996	52 886	29.7	23 624	13.2	76 510	42.9
1996-1997	52 625	29.0	25 461	14.0	78 086	43.0
After reform of government accounting						
1997-1998	57 294	30.3	40 438	21.3	97 732	51.6
1998-1999	59 144[3]	30.0	40 428	20.4	99 572[3]	50.4
1999-2000	61 209[3]	29.2	39 337	18.8	100 546[3]	48.0
2000-2001	63 630[3]	28.5	39 111	17.5	102 741[3]	46.0
2001-2002[P]	66 668[3]	29.1	38 005	16.6	104 673[3]	45.7

P: Preliminary results.
1 Including Treasury bills, Treasury notes and long-term debt. As of 1976-1977, the debt in foreign currency has been expressed in the Canadian equivalent, based on the exchange rates effective on March 31 of the fiscal year under consideration.
2 Balance of the retirement plans liability less amount accumulated in the retirement plans sinking fund.
3 Excluding pre-financing that totalled $2 831 million in 1998-1999, $506 million in 1999-2000 and $1 475 million in 2000-2001 and that will total $1 178 million in 2001-2002. Including pre-financing, the total debt reached $102 403 million in 1998-1999, $101 052 million in 1999-2000 and $104 216 million in 2000-2001 and will reach $105 851 million in 2001-2002.

Financial assets and other liabilities		Net debt		Debt representing			
				Capital expenditures		Accumulated deficits[5]	
In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP	In millions of dollars	As a % of GDP
188	0.8	2 290	10.1			2 290	10.1
275	1.1	2 645	10.8			2 645	10.8
317	1.2	2 992	10.9			2 992	10.9
28	0.1	3 651	11.7			3 651	11.7
4	0.0	4 093	11.1			4 093	11.1
90	0.2	5 044	12.2			5 044	12.2
36	0.1	6 353	13.2			6 353	13.2
673	1.3	7 058	13.4			7 058	13.4
780	1.3	8 460	14.4			8 460	14.4
234	0.4	10 836	16.5			10 836	16.5
341	0.5	14 326	19.6			14 326	19.6
5 043	6.2	12 569	15.5			12 569	15.5
5 936	6.9	15 038	17.5			15 038	17.5
7 127	7.7	17 298	18.7			17 298	18.7
6 490	6.5	21 455	21.2			21 455	21.2
5 896	5.5	25 735	23.8			25 735	23.8
6 243	5.3	28 716	24.4			28 716	24.4
6 587	5.1	31 115	24.1			31 115	24.1
6 869	4.9	32 819	23.2			32 819	23.2
7 436	5.0	34 583	23.2			34 583	23.2
8 306	5.4	37 558	24.4			37 558	24.4
9 364	6.0	41 885	26.8			41 885	26.8
11 985	7.5	46 914	29.5			46 914	29.5
13 806	8.5	51 837	31.8			51 837	31.8
16 788	9.8	57 677	33.7			57 677	33.7
14 886	8.3	61 624	34.6			61 624	34.6
13 253	7.3	64 833	35.7			64 833	35.7
9 135	4.8	88 597	46.8	6 016	3.2	82 581	43.6
13 593[4]	6.9	88 810	45.0	6 233	3.2	82 577	41.8
11 890[4]	5.7	89 162	42.6	6 693	3.2	82 469	39.4
15 058[4, 6]	6.7	89 158	39.9	7 166	3.2	81 992[6]	36.7
15 782[4]	6.9	90 069	39.3	8 077	3.5	81 992	35.8

4 Taking into account pre-financing that totalled $2 831 million in 1998-1999, $506 million in 1999-2000 and $1 475 million in 2000-2001 and that will total $1 178 million in 2001-2002.

5 Including various accounting adjustments that have not undergone a surplus (deficit) adjustment for previous years.

6 Including $950 million placed in reserve.

TABLE 3.1.3

GOUVERNEMENT DU QUÉBEC
CONSOLIDATED DEBT SERVICE

	Consolidated direct debt service		Interest on the net retirement plans liability[1]		Total debt service	
	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue	In millions of dollars	As a % of budgetary revenue
Before reform of government accounting						
1970-1971	197	5.1			197	5.1
1971-1972	210	4.7			210	4.7
1972-1973	242	4.8			242	4.8
1973-1974	288	5.0			288	5.0
1974-1975	296	4.1			296	4.1
1975-1976	368	4.4			368	4.4
1976-1977	456	4.7			456	4.7
1977-1978	606	5.5			606	5.5
1978-1979	763	6.5	54	0.5	817	6.9
1979-1980	882	6.7	88	0.7	970	7.3
1980-1981	1 217	8.3	165	1.1	1 382	9.4
1981-1982	1 686	9.4	264	1.5	1 950	10.9
1982-1983	1 921	9.7	379	1.9	2 300	11.6
1983-1984	2 031	9.2	480	2.2	2 511	11.4
1984-1985	2 414	10.8	598	2.7	3 012	13.4
1985-1986	2 648	10.9	706	2.9	3 354	13.8
1986-1987	2 754	10.7	802	3.1	3 556	13.8
1987-1988	2 751	9.7	924	3.2	3 675	12.9
1988-1989	2 665	8.8	1 137	3.8	3 802	12.6
1989-1990	2 829	8.9	1 186	3.8	4 015	12.7
1990-1991	3 026	9.0	1 411	4.2	4 437	13.2
1991-1992	3 222	9.2	1 444	4.1	4 666	13.3
1992-1993	3 475	9.6	1 281	3.6	4 756	13.2
1993-1994	3 750	10.2	1 566	4.3	5 316	14.5
1994-1995	4 332	11.7	1 549	4.2	5 881	15.9
1995-1996	4 287	11.0	1 747	4.5	6 034	15.5
1996-1997	3 906	10.3	1 949	5.1	5 855	15.4
After reform of government accounting						
1997-1998	4 378	10.5	2 965	7.0	7 343	17.5
1998-1999	4 773	10.2	2 414	5.2	7 187	15.4
1999-2000	4 740	10.0	2 632	5.5	7 372	15.5
2000-2001	5 012	9.8	2 594	5.1	7 606	14.9
2001-2002[P]	4 640	9.2	2 732	5.5	7 372	14.7

P: Preliminary results.
1 Amount of interest ascribed to the retirement plans liability less revenue from the retirement plans sinking fund.